DEPARTMENTS OF COMMERCE, JUSTICE, AND STATE, THE JUDICIARY, AND RELATED AGENCIES APPROPRIATIONS FOR 1987

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE

COMMITTEE ON APPROPRIATIONS

HOUSE OF REPRESENTATIVES

NINETY-NINTH CONGRESS

SECOND SESSION

SUBCOMMITTEE ON THE DEPARTMENTS OF COMMERCE, JUSTICE, AND STATE, THE JUDICIARY, AND RELATED AGENCIES

NEAL SMITH, Iowa, *Chairman*

BILL ALEXANDER, Arkansas	GEORGE M. O'BRIEN, Illinois
JOSEPH D. EARLY, Massachusetts	RALPH REGULA, Ohio
BERNARD J. DWYER, New Jersey	HAROLD ROGERS, Kentucky
BOB CARR, Michigan	
EDWARD P. BOLAND, Massachusetts	

JOHN G. OSTHAUS and TERRY D. BEVELS, *Staff Assistants*

PART 4

	Page
Office of the United States Trade Representative	**1**
International Trade Commission	**157**
Equal Employment Opportunity Commission	**269**
Federal Trade Commission	**349**
Board for International Broadcasting	**495**
Marine Mammal Commission	**543**
Commission on Security and Cooperation in Europe	**849**
Arms Control and Disarmament Agency	**891**
Japan-United States Friendship Commission	**951**
Federal Communications Commission	**985**

Printed for the use of the Committee on Appropriations

U.S. GOVERNMENT PRINTING OFFICE

59-301 O WASHINGTON : 1986

H181-22

COMMITTEE ON APPROPRIATIONS

JAMIE L. WHITTEN, Mississippi, *Chairman*

EDWARD P. BOLAND, Massachusetts
WILLIAM H. NATCHER, Kentucky
NEAL SMITH, Iowa
JOSEPH P. ADDABBO, New York
SIDNEY R. YATES, Illinois
DAVID R. OBEY, Wisconsin
EDWARD R. ROYBAL, California
LOUIS STOKES, Ohio
TOM BEVILL, Alabama
BILL CHAPPELL, Jr., Florida
BILL ALEXANDER, Arkansas
JOHN P. MURTHA, Pennsylvania
BOB TRAXLER, Michigan
JOSEPH D. EARLY, Massachusetts
CHARLES WILSON, Texas
LINDY (MRS. HALE) BOGGS, Louisiana
NORMAN D. DICKS, Washington
MATTHEW F. McHUGH, New York
WILLIAM LEHMAN, Florida
MARTIN OLAV SABO, Minnesota
JULIAN C. DIXON, California
VIC FAZIO, California
W. G. (BILL) HEFNER, North Carolina
LES AuCOIN, Oregon
DANIEL K. AKAKA, Hawaii
WES WATKINS, Oklahoma
WILLIAM H. GRAY III, Pennsylvania
BERNARD J. DWYER, New Jersey
BILL BONER, Tennessee
STENY H. HOYER, Maryland
BOB CARR, Michigan
ROBERT J. MRAZEK, New York
RICHARD J. DURBIN, Illinois
RONALD D. COLEMAN, Texas

SILVIO O. CONTE, Massachusetts
JOSEPH M. McDADE, Pennsylvania
JOHN T. MYERS, Indiana
CLARENCE E. MILLER, Ohio
LAWRENCE COUGHLIN, Pennsylvania
C. W. BILL YOUNG, Florida
JACK F. KEMP, New York
RALPH REGULA, Ohio
GEORGE M. O'BRIEN, Illinois
VIRGINIA SMITH, Nebraska
ELDON RUDD, Arizona
CARL D. PURSELL, Michigan
MICKEY EDWARDS, Oklahoma
BOB LIVINGSTON, Louisiana
BILL GREEN, New York
TOM LOEFFLER, Texas
JERRY LEWIS, California
JOHN EDWARD PORTER, Illinois
HAROLD ROGERS, Kentucky
JOE SKEEN, New Mexico
FRANK R. WOLF, Virginia
BILL LOWERY, California

FREDERICK G. MOHRMAN, *Clerk and Staff Director*

For sale by the Superintendent of Documents, Congressional Sales Office
U.S. Government Printing Office, Washington, DC 20402

DEPARTMENTS OF COMMERCE, JUSTICE, AND STATE, THE JUDICIARY AND RELATED AGENCIES APPROPRIATIONS FOR 1987

TUESDAY, FEBRUARY 18, 1986.

OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE

WITNESSES

AMBASSADOR CLAYTON YEUTTER, UNITED STATES TRADE REPRESENTATIVE

JOHN P. GIACOMINI, DIRECTOR, MANAGEMENT, EXECUTIVE OFFICE OF THE PRESIDENT

Mr. SMITH. The Committee will come to order.

We start our hearings this year with the United States Trade Representative. We welcome the person who is not new to government but new to this job—Mr. Yeutter. Of course, we are anxious to hear you tell us, because you are an old hand at this, how you are going to do more with less, and especially how we are going to increase our exports so we can reduce the balance of payments. You may proceed.

[The justifications, prepared statement and biography of Ambassador Yeutter follow:]

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE

OPERATIONS AND MANAGEMENT
RESOURCE ESTIMATES, FISCAL YEAR 1987

CONGRESSIONAL SUBMISSION
FEBRUARY 5, 1986

CONTACT: JOHN P. GIACOMINI
DIRECTOR
OFFICE OF MANAGEMENT
USTR
395-5123

TABLE OF CONTENTS

Page Number

General Statement........ USTR 1-4

Organizational Chart........ USTR 5

FY 1986/87 Resource Comparison and Summary of Requirements........ USTR 6-7

Organizational Units: Goals, Staffing and Accomplishments........ USTR 8-85

- Counselor to the U.S. Trade Representative........ USTR 9
- Geneva........ USTR 10-12
- General Counsel........ USTR 13-17
- Chief Textile Negotiator........ USTR 18-19
- Trade Policy and Analysis........ USTR 21-24
- Canada and Mexico........ USTR 24-26
- Multilateral Negotiations........ USTR 27-28
- Trade Policy Coordination........ USTR 29-32
- Europe and the Mediterranean........ USTR 33-36
- GATT Affairs........ USTR 37-40
- Latin America, Caribbean and Africa........ USTR 41-44
- Japan and China Affairs........ USTR 45-47
- Asia and the Pacific........ USTR 48-52
- Industry and Services........ USTR 54-62
- Congressional Affairs........ USTR 63-66
- Office of Management........ USTR 67-70
- Agricultural Affairs and Commodity Policy........ USTR 71-73
- Public, Intergovernmental, and Private Sector Affairs........ USTR 74-78
- Computer Operations........ USTR 79-85

Full-Time Permanent Positions........ USTR 86

Resource Requirements by Object Class........ USTR 87-88

General Statement

The Office of the U.S. Trade Representative is responsible for developing and coordinating U.S. international trade, commodity, and direct investment policy, and leading or directing negotiations with other countries on such matters. The U.S. Trade Representative or USTR is a Cabinet level official who acts as the principal trade adviser, negotiator, and spokesman for the President on trade and related investment matters. Through the interagency Trade Policy Committee structure, the USTR coordinates trade policy resolving agency disagreements, and framing issues for Presidential decision. The USTR, his deputies in Washington and Geneva, and the Chief Textile Negotiator, hold the rank of Ambassador. "USTR" refers both to the agency and to the agency head, the U.S. Trade Representative. There are two offices, one in Washington, D.C. and the other, in Geneva, Switzerland.

The agency provides trade policy leadership and negotiating expertise in major areas of responsibility. Among those are the following: all matters within the General Agreement on Tariffs and Trade (GATT) including implementation of the 1979 Multilateral Trade Negotiations (MTN) Agreements; trade, commodity, and direct investment matters dealt with by international institutions such as the Organization for Economic Cooperation and Development (OECD) and the United Nations Conference on Trade Development (UNCTAD); export expansion policy; East-West trade; industrial and services trade policy; international commodity agreements and policy; bilateral and multilateral trade and investment issues; and import policy including trade adjustment assistance. The agency is organized to accommodate sectoral, regional, and functional policy perspectives which are integrated into the decision-making process, and coordinated externally with government agencies, the private sector, and foreign entities.

Interagency coordination is accomplished by the agency through the Trade Policy Committee structure, which includes the Trade Policy Review Group (TPRG) and the Trade Policy Staff Committee (TPSC). The TPSC is the first line operating group with representation by senior officials. It is supported by 42 subcommittees and various task forces which are responsible for specialized areas and several task forces that deal with particular issues. If agreement is not reached in the TPSC, or if very significant policy questions are being considered, issues are taken up by the TPRG (Assistant Secretary level). If Cabinet-level review is needed, the USTR presents TPRG options to the Economic Policy Council, which is chaired by the President.

The trade reorganization of 1979 provided for a Trade Negotiating Committee (TNC) within the TPC. This Committee is also chaired by the USTR and membership includes the Secretaries of State, Treasury, Agriculture, Commerce, and Labor.

The USTR also serves as Vice Chairman of the Overseas Private Investment Corporation (OPIC), is a non-voting member of the Export-Import Bank, and a member of the National Advisory Committee on International Monetary and Financial Policies. There are several significant trade and related policy areas not handled by the USTR but which are followed closely by the staff, specifically, export contracts, international fisheries, aviation and maritime policies.

The agency also has administrative responsibility for the Generalized System of Preferences (GSP) and Section 301 complaints against foreign unfair trade practices.

The private sector plays a continuing role in trade negotiations through the mechanism of advisory committees. This advisory process was extremely successful during the MTN. Congress provided for continuation of the process in the Trade Agreements Act of 1979. The committees' role has been expanded to include the monitoring of implementation of the MTN Agreements.

Primary objectives of the private sector advisory system are: to consult with the U.S. Government on implementation of the Multilateral Trade Negotiations, to assist in monitoring compliance with the agreements and to provide input and advice on the development of U.S. trade policy. The advisory system is composed of a series of Committees with different responsibilities. The Advisory Committee for Trade Negotiations (ACTN), a Presidentially appointed committee, has 45 members from representative elements of the U.S. economy with international trade interests. Its mandate is to provide overall policy guidance on trade issues and to evaluate the extent to which they affect the nation's economy.

At the next level are the policy advisory committees in the specific areas of industry, agriculture, labor, defense, services, investment, commodities and the newly formed Intergovernmental Committee (consisting of representatives from state and local governments). There are also technical and sectoral advisory committees, which are composed of experts from their respective fields. The Agricultural Technical Advisory Committees (ATACs), the Industry Sector Advisory Committees (ISACs) and the Labor Sector Advisory Subcommittees, provide specific and technical information on problems within the private sector, such as automobiles, steel, wheat, aircraft or poultry, which are being affected by trade policy. In addition, functional committees have been established to monitor certain codes of conduct negotiated during the Tokyo Round. The Industry Sector Advisory Committees have two such functional committees: customs valuation and standards. The Labor Advisory Committee has three such functional committees: government procurement, standards, and unfair trade practices.

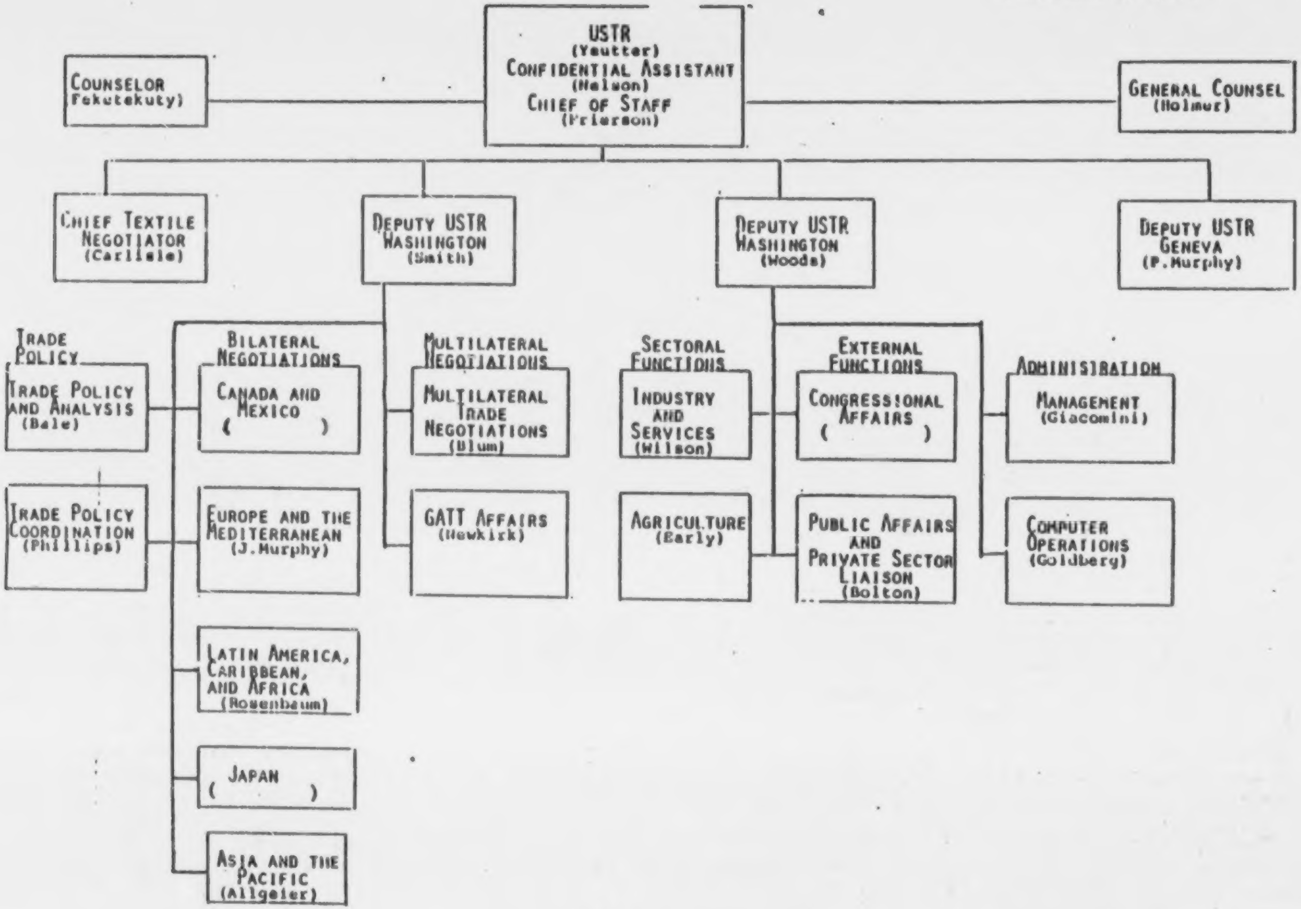
In the Trade Act of 1974, Congress broadened and codified the Trade Representative's trade policymaking and negotiating functions and established close Congressional consultative, advisory, and oversight relationships with the agency. In the Trade Act Agreements of 1979, Congress assigned overall responsibility for formulation of U.S. trade policy to the U.S. Trade Representative. Throughout the life of the agency, there has been close consultation between the USTR and the Congress. Congressional members and their staffs are contacted regularly on outstanding issues and advise the USTR on them, and on related negotiations. Liaison activities between the agency and Congress are extensive. The staff concerned with Congressional Relations is headed by an Assistant U.S. Trade Representative.

In Washington, the agency is organized into four types of activities. General support (General Counsel, Congressional Affairs, Public Affairs and Private Sector Liaison, Trade Policy Analysis and Coordination, Office of Management, and Computer Operations), Bilateral Negotiations (Canada, Mexico, Japan, Europe, Latin America and Caribbean-Africa, Asia and the Pacific), Multilateral Negotiations (New Round, GATT Affairs) and Sectoral Functions (Industry and Services, Agriculture). The Senior Staff Group identifies near-term issues, assigns responsibility for and schedules review of issues, and develops USTR policy positions or recommends positions to the USTR and Deputy USTRs-Washington and Geneva. Senior Staff Meetings are held on a regular basis, and as often as needed.

The Geneva Office is organized to cover General GATT Affairs, Non-Tariff Agreements, Agricultural Policy and Commodity Policy and the Harmonized Code System. Special attention is given to textiles with one member of the staff serving as U.S. Representative to the Textiles Surveillance Body. The Geneva Deputy USTR is the U.S. Ambassador to the GATT and to the UNCTAD on commodity matters. The Geneva staff represents the United States' interests in negotiations, and in other contacts on trade and trade policy in both forums.

GATT negotiations on the harmonized tariff nomenclature system are expected to conclude during 1987. Multilateral Trade Negotiations on the GATT could begin as early as September, 1986; resource needs for these negotiations will be reviewed when their schedule and content become apparent.

(Effective 9/16/85)


USTR
(Yeutter)
CONFIDENTIAL ASSISTANT
(Nelson)
CHIEF OF STAFF
(Prierson)
COUNSELOR
(Fekutekuty)
GENERAL COUNSEL
(Holmer)
CHIEF TEXTILE NEGOTIATOR
(Carlisle)
DEPUTY USTR WASHINGTON
(Smith)
DEPUTY USTR WASHINGTON
(Woods)
DEPUTY USTR GENEVA
(P.Murphy)
TRADE POLICY
TRADE POLICY AND ANALYSIS
(Bale)
TRADE POLICY COORDINATION
(Phillips)
BILATERAL NEGOTIATIONS
CANADA AND MEXICO
( )
EUROPE AND THE MEDITERRANEAN
(J.Murphy)
LATIN AMERICA, CARIBBEAN, AND AFRICA
(Rosenbaum)
JAPAN
( )
ASIA AND THE PACIFIC
(Allgeier)
MULTILATERAL NEGOTIATIONS
MULTILATERAL TRADE NEGOTIATIONS
(Blum)
GATT AFFAIRS
(Newkirk)
SECTORAL FUNCTIONS
INDUSTRY AND SERVICES
(Wilson)
AGRICULTURE
(Early)
EXTERNAL FUNCTIONS
CONGRESSIONAL AFFAIRS
( )
PUBLIC AFFAIRS AND PRIVATE SECTOR LIAISON
(Bolton)
ADMINISTRATION
MANAGEMENT
(Giacomini)
COMPUTER OPERATIONS
(Goldberg)

FY 1986/1987 RESOURCE COMPARISON

The following is a comparison of the FY 1986 appropriation with FY 1987 estimates.

(Dollar amount in thousands)

Account Title	FY 1986 Appropriation Currently Available		FY 1987 Estimate		Inc. (+) or Dec. (-)	
	FTE/FTP	Amount	FTE/FTP	Amount	FTE/FTP	Amount
Salaries & Expenses	136/130	12,592	136/130	12,216	no change	-376

Object Class		1986	1987	Net Change
11.1	Full-Time Permanent	5,531	5,500	-31
11.3	Other Than Full-Time Permanent	303	253	-50
11.5	Other personnel Compensation	233	233	0
11.8	Special Personal Services Payments	890	806	-84
12.1	Personnel Benefits	835	726	-109
21.0	Travel and Transportation of Persons	1,000	874	-126
22.0	Transportation of Things	78	13	-65
23.1	RENT - GSA	514	514	0
23.2	RENT - Other (GENEVA)	307	353	+46
23.3	Communications, Utilites, and Misc.	877	807	-70

Object Class		1986	1987	Net Change
24.0	Printing and Reproduction	297	142	-155
25.1	Other Services	1,156	1,420	+264
25.2	Representation	72	59	-13
26.0	Supplies and Materials	149	149	0
31.0	Equipment and Furniture	350	367	-17
	USTR TOTALS	12,592	12,216	-376

Summary of Requirements

Appropriation: Salaries and Expenses	FTE/FTP	AMOUNT
Summary of Adjustments and Changes:		
FY 1986 - Total Year Estimate	136/130	12,592
Net Change	0 / 0	-376
FY 1987 Estimate	136/130	12,216

ORGANIZATIONAL UNITS

RESPONSIBILITIES, GOALS, ACCOMPLISHMENTS AND STAFFING

Office of the U.S. Trade Representative (USTR)

Responsibilities

The U.S. Trade Representative (USTR) is responsible for the implementation of the Trade Agreements Act of 1979; developing and coordinating U.S. international trade, commodity and direct investment policy; and leading or directing negotiations with other countries on such matters. The USTR acts as the principal adviser and spokesman for the President on trade policy. The USTR is responsible for establishing policy, resolving agency disagreements, and developing issues and recommendations for Presidential decision.

Positions

Ceiling
U.S. Trade Representative (Ambassadorial rank)
Personal Assistant
Special Assistant
Secretary
Consultant

Non-Ceiling
Chief of Staff

Counselor to the U.S. Trade Representative

Goals

The goals of this unit are to: identify long-term issues that have important implications for U.S. trade policy and the operation of the international trading system; identify and organize resources in USTR, other agencies and private sector think tanks to analyze such issues in depth and develop appropriate policy recommendations. Maintain liaison with other agencies, private think tanks and corporate planners for long-term and strategic planning purposes.

Provide the USTR with an independent view of key trade policy issues, and serve as in-house critic.

Serve as a sounding board and senior advisor to USTR staff.

Represent the United States at the OECD Trade Committee, and manage USTR's participation in the Executive Committee and the annual Ministerial session of the OECD.

Positions

Ceiling
Counselor to the U.S. Trade Representative
Economist
Secretary

Non-Ceiling
Contractor - economic analyses
Detail - economic analyses

Geneva

Goals

The primary goal of the Geneva office is to provide effective leadership and representation of the United States in the GATT, including implementation of the agreements negotiated in the MTN, and implementation of the GATT Work Program decided upon by the GATT Ministers in November 1982. A major short term goal is to make recommendations to Ministers, on a basis acceptable to the U.S., so that a New Round of negotiations can be launched.

The office is responsible for covering a wide range of trade issues including negotiations on trade and commodities which come under the GATT and UNCTAD. This includes the renegotiation of tariff schedules necessary for adoption of a harmonized system of tariff nomenclature. Another goal is to enhance the role of the GATT as a focal point for world trade issues which is a reliable forum for the management of trade problems including balance of payments. One member of the staff serves as U.S. Representative to the Textile Surveillance Body and is the principal point of contact for all textile matters in the Geneva office. The staff strives for and assures that, in all negotiations, the interests of the United States are protected and enhanced.

Positions

Ceiling

Deputy USTR (Ambassadorial rank)
GATT Affairs Attache
MTN Codes Attache
Attorney
Commodities Attache
Secretaries (3)

Non-Ceiling

Deputy Chief of Mission
Minister-Counselor-U.S. Representative to the Textile Surveillance Body
Agricultural Attache
Harmonized System Negotiator
Harmonized System Tariff Specialist
Administrative Officer
Driver-Messengers (3)
Secretaries (3)
Records Clerk/Administrative Assistant
Telephone Operator
Systems Manager

Geneva

Accomplishments

Continued implementation of the GATT work program adopted by the 1982 GATT Ministerial meeting and made progress on items of priority interest to the U.S. such as services and agriculture. Furthered this progress in Senior Officials Group discussing subject matter and modalities of a New Round.

Have laid the basis for new negotiations by eroding LDC solidarity over time and have been instrumental in gaining support for the establishment of a preparatory committee which will make recommendations to Ministers in July for a ministerial meeting in September.

Represented U.S. interests in a number of GATT dispute settlement actions, challenging EEC processing subsidies on canned fruit; EEC tariff preferences on citrus; Spanish standards on electromedical equipment; EEC standards on fertilizer; Japanese restrictions on footwear imports and leather imports; Brazilian informatics policy; and Japanese single tendering procurement practices. Defended U.S. interests in challenges from other countries regarding Foreign Sales Corporations; steel pipe and tube marking requirements; trade embargo for Nicaragua; restrictions on sugar-containing products; restrictions on textile imports; trade effects of B-1 visa issuance; and the wine "industry" definition in countervailing duty law.

Continued to have the lead role in the implementation of the agreements negotiated in the Tokyo Round.

Actively represented the United States at a wide range of over 300 GATT meetings covering issues such as agriculture, safeguards, trade relations with developing countries, trade in services and counterfeit goods, textiles, and trade disputes.

Actively participated in UNCTAD commodity meetings and negotiations on a wide range of products and at meetings of the UNCTAD Trade and Development Board.

Successfully defended the U.S. against repeated charges of violation of the MFA in the Textile Surveillance Body.

General Counsel

Goals

The General Counsel's office advises the U.S. Trade Representative, his Deputies and the agency's staff on all areas of international trade law and agency responsibilities. The office ensures that all actions of the United States related to trade conform with U.S. rights and obligations under international agreements affecting trade, and that all actions of the agency and of its staff conform with the laws of the United States.

Also, the Office has primary responsibility for the following areas -- development of the Administration's positions on trade legislation; dispute settlement under the GATT; antidumping and subsidy/countervailing duty policy; Section 301 investigations; review of Section 337 unfair import trade cases; advice on government ethics, conflicts of interest and financial disclosure; and requests for information under the Freedom of Information and Privacy Acts, the Trade Act of 1974 and studies by the General Accounting Office.

Positions

Ceiling

General Counsel

Deputy General Counsel (2) - Import controls (Sections 201, 406 and Sections 22 and 204), 301 cases, Customs Valuation, Administrative matters including Government Ethics, EEI, Authorization Bills, reciprocity legislation, tariff policy, textiles issues, trade law interpretations, work assignments.

Associate General Counsels (3) - 301 cases, dispute settlement, agriculture issues, safeguards, bilateral investment treaties, performance requirements, telecommunications, commodity policy, aircraft issues.

Assistant General Counsels (4)	- Countervailing duties, antidumping, Standards and Procurement Codes; Export controls, East-West trade policy; Section 337, intellectual and industrial property rights; legislative referrals, advisory committees, counterfeit codes, antitrust, Export Trading Companies, military procurement, NTT agreement, wildlife and endangered species issues.
Secretaries (3)	
Consultant	- GATT articles

General Counsel

Accomplishments

Participated in negotiations for, reviewed, and made recommendations on acceptability to the United States of LDC commitments under the Subsidies/Countervailing Measures Code. Drafted and negotiated agreement with Mexico. Prepared briefs and presented U.S. arguments, in GATT panel and Working Parties committee reviews and in bilateral consultations, regarding complaints related to EC production subsidies on canned fruit and raisins, EC tariff preferences on citrus, EC export subsidies on wheat flour, pasta, and poultry, Japanese import restrictions on leather and leather footwear, Canadian administrative practices under the Foreign Investment Review Act, and EC threshold determinations under the Government Procurement Agreement; won total or partial victories in all of those cases that have been completed. Prepared and delivered U.S. argument before GATT panels examining an EC complaint about U.S. extensions of the manufacturing clause and enactment and applicatin of a special "industry" definition for wine producers and grape growers under the AD and CVD laws, a Nicaraguan complaint about its sugar quota allocation and provisions of the Foreign Sales Corporation Act. Successfully defended in multilateral Article XXII consultations.

Reviewed numerous draft petitions and petitions filed but subsequently withdrawn under Section 301 (unfair trade practices of foreign governments), such as on Argentina's 25 percent export tax on soybeans but only 10 percent export tax on soybean oil and meal; Mexico's high tariff and import taxes on carbon steel wire fence panels; and Japan's restrictions on U.S. attorneys' ability to practice U.S. law in Japan. Initiated or self-initiated investigations under Section 301 regarding 1) Japanese acts, policies and practices fostering and creating artifical advantages for its semiconductor industry; 2) Brazilian barriers reducing access to its market for U.S. exports of informatics products and services; 3) Japanese restrictions on access to its market for U.S. cigarette exports (e.g., through high tariffs and excise taxes, a manufacturing monopoly, and distribution restrictions); 4) Korean practices impeding U.S. participation in issuance services; 5) inadequate Korean protection of U.S. intellectual property rights. Also assisted in expedited of two 301 investigations of EC canned fruit production subsidies and Japanese leather and leather footwear restrictions. Conducted numerous consultations of 301 footwear imports imposed by Brazil and Korea.

Prepared the USTR's recommendation to the President on determinations of the U.S. International Trade Commission under Section 337 of the 1930 Tariff Act regarding unfair trade practices.

Prepared Presidential proclamations, determinations, orderly marketing agreements, and related documents regarding Presidential decisions on import relief on carbon steel and nonrubber footwear. Drafted, negotiated and implemented 17 voluntary restraint agreements under the President's program.

MTN Codes and Consultations/Negotiations

Led U.S. delegations to meetings of Subsidies and Antidumping Code Committees and participated significantly in the Experts Group on Trade in Counterfeit Goods in Geneva.

Prepared materials for quadrilateral discussions in Geneva and San Diego on numerous topics including antidumping and countervailing duties and dispute settlement and intellectual property rights.

Led, or participated in, U.S. delegations for consultations and negotiations regarding Japanese import restrictions on citrus and beef; Japanese import quotas on 13 miscellaneous products; EC and Brazilian export subsidies on poultry; Brazilian, Japanese, Korean and Taiwanese import restrictions on footwear; Canadian safeguard actions on various products; Taiwanese and Korean laws related to securing the enforcing intellectual property rights; and EC proposals to limit imports of corn gluten feed.

Participated in negotiations toward improvements of GATT rules on Agriculture Trade, an agreement with the EC on oenological practices (winemaking); elimination of provincial wine price markup in Canada; liberalization of India's customs valuation system for almonds, and EC almond tariff reductions.

Provided legal advice for consultations with Japan that resulted in liberalizing 17 standards and certification laws that the USTR referred to as "the most significant development in our bilateral trading relationship since the conclusion of the Tokyo Round."

Led U.S. delegation, arguing for MFN waiver for the Caribbean Basin Initiative before GATT Working Party. Successfully negotiated terms of waiver and working party report leading to GATT approval of waiver.

Led and participated in consultations regarding intellectual property rights with Taiwan, Korea, Singapore, Thailand, Hong Kong and India.

Domestic Legislation

Testified, drafted legislative language and testimony, and provided legal analysis regarding numerous bills, including those related to trade remedies, section 201, Foreign Sales Corporation Act, Section 301, domestic content legislation, the Caribbean Basin Initiative, the Generalized System of Preferences, intellectual property law, the Export Administration Act, miscellaneous tariff bills, and the Trade and Tariff Act of 1984.

Litigation, Requests for Information, and Regulations

Provided information and advice to the Justice Department for its role in an appeal from an ITC section 337 determination regarding alkaline batteries.

Responded to requests for documents under the Freedom of Information Act. Provided information in response to requests under Section 305 of the Trade Act of 1974.

Provided reports to Congress as required under the Freedom of Information Act and Section 301 of the Trade Act of 1974.

Drafted regulations to implement Caribbean Basin Initiative and reviewed Generalized System of Preferences Program.

Chief Textile Negotiator

Goals

The Chief Textile Negotiator reports to the U.S. Trade Representative and acts as a principal adviser to the President and Cabinet on the formulation, coordination, negotiation and implementation of U.S. textile and apparel trade policy. In any given year, negotiations and consultations may be necessary with thirty-five or more countries as the need arises for new or renewal agreements and/or the setting of additional quotas or new quota levels on countries with which the U.S. may or may not have agreements.

The goals of this unit are to foster the competitiveness of the domestic industry, to keep markets for U.S. exports open and to ensure the orderly growth of trade while preventing disruption of the domestic market. This unit is also responsible for maintaining liaison with industry, labor, Congressional and other institutions and organizations which are concerned with textile and apparel matters. Besides the negotiation of agreements controlling imports into the U.S., the Chief Textile Negotiator conducts negotiations aimed at eliminating foreign barriers to U.S. textile and apparel exports. In FY 1986 there will be negotiations leading to a successor arrangement to the present international Multifiber Arrangement (MFA), the renewal or renegotiation of at least 9 bilateral agreements and perhaps 20 consultations with 4-5 countries each month on new quotas.

Positions

Ceiling
Chief Textile Negotiator (Ambassadorial rank)
Deputy Chief Textile Negotiator
Economist
Secretaries (2)

Non-Ceiling
Assistant Negotiator

Chief Textile Negotiator

Accomplishments

During 1985, this unit negotiated bilateral agreements with Bangladesh, Brazil, Guatemala, Indonesia, Malaysia, Mauritius, Peru, Romania, Egypt, Panama, South Africa, Israel, Singapore, the Philippines and Turkey. Consultations, in most cases to set new limits on product categories, were also held with 11 countries. Both formal and informal meetings were held with a wide range of importing and exporting countries concerning the MFA.

Deputy USTR-Washington

Responsibilities

The Deputy USTR in Washington for Trade Policy and Bilateral and Multilateral Negotiations is responsible for the day-to-day operations of the agency as they relate to his areas of responsibility. This includes management of the following units within the agency: Trade Policy and Analysis, Trade Policy Coordination, Bilateral Negotiations (Canada, Mexico); Japan and China; Europe, Latin America, Caribbean, Africa; Asia and the Pacific; Multilateral Trade Negotiations; and GATT Affairs. In the absence of the USTR, the Deputy acts as Acting USTR.

Positions

Ceiling
Executive Assistant
Secretary

Non-Ceiling
Deputy USTR (Ambassadorial rank)

Trade Policy and Analysis

Goals

Trade Policy and Analysis has two goals. First, the unit is responsible for the development of a coherent and coordinated USTR position on trade issues to be able to develop the Administration's trade policy, both in a broad sense and issue-specific. Also it is responsible for investigating and clarifying the linkages between trade, finance, and macroeconomic policy, both in the United States and in foreign countries. These analyses provide a strong economic foundation for trade policy development undertaken by this and other units in USTR, as well as more productive input into broad economic policymaking as it affects trade. Through its interagency leadership, the unit makes use of the analytical expertise available in all U.S. agencies.

Positions

Ceiling
Assistant U.S. Trade Representative
Deputy Assistant U.S. Trade Representative - Trade Policy and Analysis
Chief Economist
International Economists (3)
Secretaries (2)

Non-Ceiling
Contractors

Trade Policy and Analysis

Accomplishments

Prepared and coordinated a revised U.S. trade policy for Economic Policy Council (EPC) and Presidential review.

Advised on investment portion of Statement of Intent to negotiate Framework Agreement with Mexico.

Oversaw completion of work on performance requirements provisions in U.S./Israeli Trade Agreement.

Authored investment provisions (with the Office of the General Counsel) of Trade and Tariff Act of 1984 and GSP legislation.

Chaired consultations with Indonesia on investment issues.

Chaired U.S. Delegation to OECD Working Party on trade-related investment measures.

Negotiated and signed a bilateral investment treaty with Morocco. Negotiated and initialled bilateral investment treaties with Turkey, Cameroon and Bangladesh.

Conducted bilateral investment treaty negotiations with Liberia, Sri Lanka, Malaysia and the People's Republic of China.

Initiated the Senate ratification process for the six signed bilateral investment treaties to date -- Egypt, Panama, Senegal, Haiti, Morocco and Zaire. Prepared an extensive technical analysis for USTR and other agencies of each of the six signed bilateral investment treaties.

Initiated a survey of the OECD countries' use of investment incentives/disincentives in the OECD Investment Working Group as part of effort to determine what other countries are doing in investment.

Participated in this Working Group's discussion of issues such as national treatment and conflicting requirements.

Assisted in developing the U.S. Government's strategy and objectives on investment for high level discussions with Canada on a possible Free Trade Area agreement.

Organized private sector input on ways to address Japanese barriers to U.S. investment.

Initiated and co-chaired U.S. delegation to U.S./Brazil Working Group on Investment.

Developed U.S. strategy for improving U.S./Latin American investment relations.

Represented USTR at weekly National Advisory Committee for Monetary Affairs (NAC) meetings. Coordinated USTR position on NAC issues in preparation for meetings.

Represented USTR at weekly Working Group on Multilateral Assistance WGMA meetings. Coordinated USTR position on World Bank/Multilateral Development Banks (MDB) issues in preparation for meetings.

Represented U.S. government in trade policy portion of annual IMF Article IV consultations, resulting in trade portion of Article IV report giving satisfactory review of U.S. government trade policies.

Coordinated U.S. government position on GATT work on exchange rates, resulting in GATT communique language, acceptable to the U.S. on exchange rate fluctuations and their effect on trade.

Assisted in development of U.S. government position on World Bank proposal to establish a Multilateral Investment Guarantee Agency. Succeeded in negotiating with other agencies EPC-approved negotiating instructions that placed strong emphasis on incorporation into the Multilateral Investment Guarantee Agency (MIGA) strong standards for investment policy reform in beneficiary developing countries and legal protection for foreign investors in beneficiary developing countries.

Represented USTR on U.S. delegation to United Nations Commission on Transnational Corporations annual meeting.

Represented USTR on all issues related to official export credit financing. Negotiated new sectoral agreements on nuclear equipment and larger commercial aircraft and participated in tied-aid credit negotiations.

Prepared analysis of trade policy implications of Administration's tax reform proposals for the USTR and the Advisory Committee on Trade Negotiations.

Consulted extensively with Investment Policy Advisory Committee (INPAC) on key issues of importance to USTR, including investment policy strategy, debt/investment linkage, bilateral investment treaties and investment in China. Provided staff support for INPAC subcommittees.

Prepared analysis of G-10 (Group of 10 under the IMF) report on functioning and improvement of the international monetary system and its implications for trade and trade policy.

Provided staff support for DUSTR's (Vice Chair of Board) participation in bimonthly meetings of the Overseas Private Investment Corporation's Board of Directors.

Assisted in development of U.S. government legislative submission to renew Overseas Private Investment Corporation's lending and insurance authority and to revise mandate. Assisted and provided policy guidance in development of Overseas Private Investment Corporation's policy on performance requirements.

Consulted with industry and foreign government officials on regulatory actions adversely affecting U.S. pharmaceutical industry in United Kingdom.

In implementing trade provisions of the 1983 IMF quota legislation (U.S. financial obligations to IMF), reviewed over 100 IMF lending programs for trade and investment provisions, reviewed trade and investment practices of all beneficiary countries, and provided formal comments on trade and investment policy on IMF programs in major trade and investment countries.

Led intra- and inter-agency work on U.S. policies in the area of intellectual property rights. Developed U.S. objectives for issue in multilateral fora, including the GATT.

Embarked on bilateral program of education and negotiation for improvement of foreign treatment of intellectual property rights. Initiated program of meetings to complement efforts undertaken as a part of GSP reviewd.

Canada and Mexico

Goal

This unit will actively seek the resolution of major trade and investment problems with Canada and Mexico. Specifically, the unit will be responsible for coordinating the interagency preparations for comprehensive bilateral trade negotiations with Canada, and will lead the U.S. negotiating team. In addition, the unit will be responsible for coordinating preparations and leading discussions for a bilateral trade and investment agreement with Mexico; will assist in negotiations concerning Mexico's accession to the GATT; and will participate in the general review of GSP benefits for Mexico. The unit also arranges for staffing all trade work programs related to the U.S.-Mexico Binational Commission.

Positions

Ceiling

Assistant U.S. Trade Representative
Deputy Assistant U.S. Trade Representative - Canadian Affairs
Deputy Assistant U.S. Trade Representative - Mexican Affairs
Secretary

Non-Ceiling

International Economist - support for U.S.-Canada trade negotiations
Volunteer Intern

Canada and Mexico

Accomplishments

Negotiated subsidies understanding with Mexico which provides for elimination of Mexican export subsidy programs and phase-out of subsidized export financing.

Negotiated trade declaration for issuance at March 17-18, 1985 meeting between President Reagan and Prime Minister Mulroney of Canada which expresses desire to reduce and eliminate barriers to bilateral trade.

Resolved bilateral dispute with Canada over Canadian federal sales tax applicable to tourist literature.

Initiated extensive interagency work program in preparation for comprehensive bilateral trade negotiations with Canada.

Resolved longstanding bilateral dispute with Canada over compulsory licensing of pharmaceutical patents in Canada (expected by February).

Multilateral Negotiations

Goals

The Office of Multilateral Negotiations is responsible for coordinating all USTR activities regarding the implementation of the President's decision to prepare for and launch the New Round of multilateral trade negotations. This Office will carry out the USG strategy for getting negotiations underway, determine what issues should be handled at what time, and conduct bilateral and multilateral consultations and negotiations relating to the New Round. A major component will be close coordination with private sector advisors and other business groups to ensure that their concerns are fully reflected in the policy development and strategies of the Administration.

Positions

Ceiling
Assistant U.S. Trade Representative
International Economist and Senior Policy Advisor
International Economist
Secretary

Non-Ceiling
Volunteer Interns

Multilateral Negotiations

Accomplishments

Established the office as of September 16, 1985 and recruited staff.

Revised and implemented successful strategy for gaining GATT decision to begin formal preparations for the New Round of multilateral trade negotiations. Helped represent the U.S. in five key meetings in Geneva and at the Quadrilateral Meeting of Trade Ministers. Conducted bilateral consultations in support of our New Round objectives with all major trading partners. Through USIA, held four international international interviews, via satellite and telephone, with important private sector audiences abroad.

Held approximately 50 consultations with statutory advisors and other private sector groups to provide a clear understanding of the New Round negotiating process and to stimulate detailed advice on objectives, strategies and tactics.

Briefed Congressional staff regularly on New Round process and consulted on possible legislation to provide negotiating authority.

Organized an interagency task force to provide detailed instructions on issues likely to arise in the GATT Preparatory Committee.

Trade Policy Coordination

Goals

The principal functions of this unit are to provide statutory policy coordination on both an intra- and interagency basis, to serve as liaison with the Office of Management and Budget and other relevant agencies on trade-related regulatory issues, to direct and coordinate the preparation of the *National Trade Estimates* report (as required by Section 303 of the Trade and Tariff Act of 1984), to administer the operation of the Generalized System of Preferences (GSP) program, and to provide for support for bilateral consultations relating to the GSP program.

Intra-agency. The goal of this function is to provide support for the activities of the agency's senior staff and regular meetings of the AUSTRS. In particular, the unit is charged with ensuring that there is proper internal coordination on actions taken under U.S. trade laws. Responsibilities include: making arrangements for meetings, staffing out issue papers, and follow-up actions. Proposed domestic regulatory actions affecting international trade are also disseminated to USTR staff for analysis, comment, and follow-up action.

Interagency. The principal functions are to provide leadership for the Trade Policy Staff Committee (TPSC), manage the operations of the Committee and its 52 subcommittees, and serve as the Executive Secretariat of the Trade Policy Review Group (TPRG) and Trade Policy Committee (TPC). The unit also oversees the preparation of USTR positions for other Cabinet-level bodies such as the Economic Policy Council (EPC).

Since the TPSC is the body in which agencies initially exchange views on trade and investment issues, proper management of the process ensures the orderly development and coordination of U.S. Government positions. For most issues it has been possible to reach a consensus in the Committee. In those instances where USTR holds public hearings, some of which are required by statute, the unit is responsible for organizing and conducting those hearings.

National Trade Estimates Report. Section 303 of the Trade and Tariff Act of 1984 directs USTR to identify and analyze acts, policies and practices that constitute significant barriers to or distortions of U.S. exports of goods and services, property protected by trademarks, patents and copyrights exported or licensed by U.S. citizens, and U.S. direct investment. The next report will be submitted to Congress on October 31, 1986.

GSP. The GSP program involves tariff preferences on approximately 3,000 items of benefit to 140 developing countries. During FY 87, the major goals of the unit will be to:

1. Complete the general review of the program mandated by the Trade and Tariff Act of 1984. The general review provides for graduation from the program on a product specific basis and the waiver of competitive need limits under certain conditions. In making these determinations, account must be taken of the extent to which beneficiaries are offering adequate market access to the United States, protecting U.S. intellectual property rights, eliminating trade-distorting investment practices, and ensuring various workers' rights.

2. Complete the annual review of the program for 1986 and commence the 1987 annual review. This process involves the examination of petitions for elimination or addition of products to GSP, the holding of public hearings, and the publication of official determination on these issues.

3. Prepare conversion of the GSP program from the Tariff Schedules of the United States to the Harmonized System.

4. Operation of the GSP Information Center for the public.

5. Briefing of the USTR, Deputy USTRs and other appropriate USTR staff on GSP issues and problems.

Positions

Ceiling
AUSTR for Trade Policy Coordination and Chairman of the TPSC
International Economist -- trade policy coordination and designated GSP responsibilities
Executive Director -- GSP
Deputy Director, GSP -- assist with trade policy coordination and GSP activities
Staff Assistant -- primarily involved in coordination activity, some GSP work
Secretaries (2)

Non-Ceiling
Student Intern

Policy Coordination

Accomplishments

Provided policy and staff support for all meetings of the Trade Policy Committee, the Trade Policy Review Group, and the Trade Policy Staff Committee. Supervised preparation of USTR position for other Cabinet-level meetings (e.g., Economic Policy Council).

Coordinated agency positions on over 200 trade issues, including meetings of the TPSC.

Organized public hearings and invited written comments on the proposed free trade area with Canada. Also invited comments from the private sector on the Section 201 investigation on nonrubber footwear, 337 investigations, the designation of major wine trading countries, and the proposed U.S.-Mexico framework agreement. Provided copies and reading files for the public. (337 investigations = patent infringement; 201 = injury caused by imports).

Directed preparations for publishing the Annual Report of the President on the Trade Agreements Programs. (Report to be released in February 1986.)

Coordinated the preparation of transition material for Ambassador Yeutter, Ambassador Woods, and Ambassador-Designate Samuels.

Developed procedures with the Office of Management and Budget to facilitate intra- and interagency coordination of trade-related issues in government-wide regulatory review process.

Coordinated the preparation of the National Trade Estimates report (as required by Section 303 of the Trade and Tariff Act of 1984).

GSP

Accomplishments

Established procedures and regulations for implementing the renewed GSP program. These procedures included provisions for full consultation with and advice from the U.S. private sector before all major decisions involving the level of benefits to developing countries.

Held GSP public hearings and provided written comment and rebuttal periods on product specific issues and on beneficiaries' practices concerning market access for U.S. goods and services, restrictions on foreign investment, protection for intellectual property rights, unreasonable export practices, and respect for internationally-recognized worker rights.

Completed the 1984 GSP Annual Review, which covered 30 petitions for product-related changes in the program, 124 cases of potential Presidential discretion in redesignating individual beneficiaries for duty-free treatment in specific products, 309 cases of potential Presidential discretion in granting competitive need waivers, and review of trade statistics for 3,000 products to determine competitive need exclusions.

Initiated consultations with beneficiary countries (Brazil, Argentina, Chile, Mexico, Korea, Hong Kong, Taiwan, Philippines, Thailand, Singapore, Malaysia, and Indonesia) concerning the General Review of the GSP.

Participated in OAS, UNCTAD, and OECD meetings concerning the U.S. GSP.

Conducted GSP seminars in Mexico, Brazil, Singapore, Thailand, and Sri Lanka. The Brazil, Singapore, and Sri Lanka seminars were regional seminars done under the auspices of the UNCTAD GSP Technical Assistance program.

Europe and the Mediterranean

Goals

The Assistant U.S. Trade Representative for Europe and the Mediterranean is responsible for the formulation, coordination, and implementation of trade and investment policy toward the region. The office provides leadership for dealing with bilateral issues between the U.S. and these countries. On certain industrial or agricultural issues, or on issues involving multilateral or international organizations, support is provided to those units in USTR that have the lead role. More specifically, the AUSTR is responsible for:

Participation in and support of U.S.-EC Negotiations on renewal of the Carbon Steel Arrangements, negotiation of steel agreements with Austria, Portugal, and Yugoslavia, monitoring of steel imports from Sweden.

Providing support for investigations of unfair trade practices in the European Community.

Managing the participation of nonmarket economies in the GATT.

Implementation of the U.S.-Israel Free Trade Agreement as negotiated and in accordance with Congressional authority.

Minimizing the use of export subsidies, performance requirements, offsets and countertrade, tariffs and nontariff barriers by these countries.

Negotiating increased access to European telecommunications markets.

Monitoring implementation of the US-EC bilateral agreement on EC subsidies on canned fruit.

Negotiating compensation for U.S. agricultural tariffs impaired in the accession of Spain's and Portugal's entry into the community.

Positions

Ceiling

Assistant U.S. Trade Representative
Deputy U.S. Trade Representative - Primary Responsibility for the EC
Director-EFTA and Eastern Europe
Director-Middle East and the Mediterranean
Secretaries (2)

Non-Ceiling

Assistant to EC Director

Europe and the Mediterranean

Accomplishments

Coordinated preparations for U.S.-EC negotiations on the accession of Spain and Portugal to the European Community. These countries formally joined the EC January 1, 1986. (Some in the Community would like to use this occasion to impose new restrictions on U.S. exports to the EC.) Prepare and coordinate messages to the EC Commission and Member States warning against the use of enlargement to curtail our access to Community markets.

Wrote principal papers for successive Cabinet meetings dealing with upcoming U.S.-EC trade conflicts and examining approaches for dealing with those disputes.

Led U.S.-EC discussions of high technology industries and the factors conducive to their development. This dialogue has identified areas for cooperation in biotechnology, it has resulted in joint, successful, efforts to assure computer software protection in third countries, and we hope it will soon bring improved cooperation in development of telecommunications standards.

Monitored EC retaliatory action against U.S. restrictions on specialty steel imports, to make sure the retaliation eases as our import restraints are phased out.

Participated in and supported U.S.-EC negotiations on steel pipe and tube trade.

Prepared the USTR for annual U.S.-EC Ministerial Meetings held in Brussels each December, and coordinated preparation of the trade issue papers for those meetings.

Coordinated and prepared bilateral briefing papers for the Quadrilateral Meetings (Ministerial level), which were held approximately quarterly and which dealt with the full range of world trade issues.

Conducted regular consultations with senior EC Commission officials, with officials of EC Member States, and with officials of the non-EC countries of Western Europe on trade issues.

Participated in and supported U.S. negotiations with Spain, Portugal, and Turkey on their adherence to the Subsidies Code.

Participated in and supported U.S. negotiations on steel with Spain, Austria, Portugal, and Finland. Agreements were finalized with Spain and Finland.

Coordinated briefing materials on bilateral issues for the Stockholm Trade Ministers meeting.

Prepared briefing materials for Ambassador Smith's trip to Finland.

Participated in the U.S.-USSR Work Group meeting, the first held in seven years. Prepared U.S. position on Most Favored Nation (MFN) status and led discussion of this topic with the Soviets.

Took part in the U.S.-USSR Joint Commission Meeting, chaired by Secretary Baldrige. Prepared U.S. position on Most Favored Nation status and Soviet interest in GATT participation.

Led Working Group Session in Joint Commission meeting with Hungary, and prepared papers on MFN, GATT issues.

Presented testimony in Congressional hearing on MFN status for China, Hungary and Romania.

Led U.S. delegation to session of the OECD Working Group on East-West Trade.

GATT Affairs

Goals

GATT Affairs has four primary areas of responsibility. First, the unit is responsible for the effective implementation and operation of the MTN Agreements on technical barriers to trade (product standardization and certification), import licensing, customs valuation, and government procurement, as well as continuing negotiations to develop international agreements on safeguards and commercial counterfeiting. Second, the unit has lead responsibility for coordination and liaison with the USTR/Geneva staff. This includes extensive involvement in preparations for the New Round of trade negotiations.

The third major responsibility is to formulate U.S. positions and policies regarding the work of the General Agreement on Tariffs and Trade (GATT). GATT Affairs develops and coordinates policy guidelines and instructions for meetings of the GATT Council, the Consultative Group of Eighteen, Committee on Trade and Development, Balance of Payments Committee, and the various Code committees. A major activity will be the development of U.S. positions regarding the accession to the GATT of Mexico, Costa Rica, Morocco, and the People's Republic of China.

Finally, GATT Affairs unit is responsible for the development and implementation of U.S. policies on a wide variety of tariff and non-tariff issues. Most importantly, the unit is coordinating the Administration's work program to adopt a new tariff schedule for the United States based upon the international nomenclature known as the Harmonized System. Activities include development of a new U.S. tariff schedule, review of foreign countries' schedules, and extensive renegotiations of international tariff obligations as required under GATT Article XXVIII. The unit is responsible for monitoring the implementation of the Tokyo Round tariff agreements; developing Administration positions on tariff-related trade legislation; and providing interagency leadership on U.S. import policy issues such as rules of origin and duty free treatment under the Florence Agreement. The unit also is responsible for U.S. participation in the GATT work program on quantitative restrictions and non-tariff measures, as well as the identification of any non-tariff barriers to U.S. exports.

Positions

Ceiling
Assistant U.S. Trade Representative
Deputy U.S. Trade Representative
International Economist - Code Specialist - Standards
International Economist - Code Specialist - Procurement
International Economist - GATT Specialist
International Economist - MTN and Code Specialist - Customs Valuation and Import Licensing
International Economist - Tariffs, Customs, Harmonized System
Secretaries (2)

Non-Ceiling
International Economists - Harmonized System (2)
Contractor - Harmonized System

GATT Affairs

Accomplishments

Continued international preparations and negotiations to implement the Harmonized System, a new international nomenclature code. Continued the Administration's analysis of the proposed new U.S. tariff schedule converted into the format of the Harmonized System.

Developed approach and led USG participation in fifth annual review of the MTN Agreement on Technical Barriers to Trade (product standards).

Coordinated U.S. positions on applications for GATT observor status and membership, including requests from China and Morocco.

Carried out two rounds of consultations with Government of Japan regarding the operation of the Nippon Telephone and Telegraph Company (NTT) Agreement.

Continued implementation of MTN tariff agreements, and monitored foreign country compliance.

Coordinated Administration's position on tariff-related trade legislation, including comments on over 40 miscellaneous tariff bills.

Conducted GATT balance-of-payments consultations with Bangladesh, the Philippines, Portugal, Korea, and Pakistan.

Developed U.S. proposals and represented USG in GATT Experts Group on Trade in Counterfeit Goods.

Developed and coordinated policy guidelines and instructions for the U.S. Representative to meetings of the GATT Council, the Consultative Group of Eighteen, and the annual and special sessions of the Contracting Parties.

Monitored the operation of the GATT Import Licensing Code.

Monitored foreign and domestic implementation of the Government Procurement Code, and initiated negotiations to expand and improve the Code.

Prepared Administration's response to numerous Congressional proposals for "Buy America" restrictions on government procurement.

Conducted series of bilateral discussions with Japan to resolve standards-related trade problems, which resulted in further Japanese administrative reforms to provide greater market access to U.S. exporters.

Formulated and coordinated USG policy in the GATT Committee on Customs Valuation and the Customs Cooperation Council's (CCC) Technical Subcommittee on Customs Valuation. Monitored foreign and domestic implementation of the Customs Valuation Code.

Concluded negotiations with the EC, Japan, Brazil, India, and other signatories to the Customs Valuation Code regarding treatment of Computer Software and prepared domestic regulations to ensure implementation of agreed approach.

Concluded negotiations with Canada on the tariff consequences of Canadian adoption of the Customs Valuation Code.

Developed USG positions for work of the GATT Group on Quantitative Restrictions and Other Non-Tariff Measures.

Continued USG review and certification of foreign countries' GATT tariff schedules.

Developed USG positions for meetings of the GATT Committee on Tariff Concessions.

Developed USG positions for Licensing Code Committee discussions of clarification of Code provisions.

Latin America, Caribbean and Africa

Goals

The goals of this unit are to:

Obtain increased liberalization of import and investment regimes of Latin America, Caribbean and African countries.

Minimize use of export subsidies, performance requirements, and countertrade tariffs and non-tariff barriers by these countries.

Manage trade issues within the North/South dialogue in a manner that will protect U.S. interests.

Strengthen protection of American intellectual property rights (trademarks, copyrights, patents) in trade involving Latin American LDCs.

Continue trade policy discussions with newly elected governments of Argentina and Uruguay to favorably influence trade policy formulation.

Organize meetings of U.S.-Brazil Trade Subgroup and its Investment Committee.

Represent the U.S. at trade meetings of the Organization of American States.

Negotiate bilateral investment treaties with countries of Latin America, Caribbean and Africa.

Engage in bilateral or multilateral trade policy discussions with African Governments to favorably influence trade policy formulation.

Seek Latin American, Caribbean and African support for the new trade round's negotiation objectives.

Positions

Ceiling

Assistant U.S. Trade Representative
Director for Caribbean Basin and Andean Affairs (also handles representation at the Organization of American States)
Director for Southern Cone and Brazilian Affairs
Secretaries (2)

Non-Ceiling

Director for African Affairs and North-South Issues. Also negotiates bilateral investment treaties.

Latin America, Caribbean and Africa

Accomplishments

Directed interagency effort to refine and enhance the comprehensive development program for the Caribbean Basin, i.e., the Caribbean Basin Initiative (CBI). The program contains important policy initiatives on trade, fiscal incentives, and bilateral investment issues. The CBI continued to be a priority foreign policy initiative for the Presidents.

Reoriented U.S. trade policy towards Mexico. Developed a bilateral subsidies agreement and achieved improvements in Mexico's restrictive pharmaceutical policy. Developed a statement of intent to negotiate a comprehensive agreement of trade and investment principles and procedures and arranged for the creation of a bilateral working group to negotiate a comprehensive commercial agreement. Provided the Mexicans with recommendations for changes in their intellectual property regime, and helped develop legislation to retaliate against Mexico's restrictions on U.S. truckers' cross-border operations.

Assisted in negotiations with Brazil for a carbon steel arrangement under the President's steel program; dealt with Brazil on a wide range of trade issues, organized formal meetings of U.S.-Brazil Trade Subgroup and U.S.-Brazil Investment Working Group and fought U.S. import restrictions on ethyl alcohol, a principal Brazilian export; directed U.S. Government's effort to restore patent rights in Brazil to a major U.S. producer of herbicides and to improve intellectual property protection overall; chaired consultations under GATT Article XXII involving Brazil's imports of footwear produced principally by the United States; avoided the passage of legislation providing only "sui generis" protection (new standards) for computer software; convinced Brazilians not to impose new trade and investment restrictions in the motion picture industry.

Repesented U.S. Government in Organization of American States' (OAS) meetings to review U.S. policies, including Trade and Tariff Act of 1984, GSP, shoes, and steel.

Assisted White House by preparing briefing papers for the President's official visit with President of Mexico and official visit to Canada.

Assisted in bilateral investment treaty (BIT) discussions with Honduras, El Salvador, Costa Rica, Jamaica, Panama, Haiti, Uruguay, and the Eastern Caribbean.

Negotiated trade declaration for issuance by President Reagan and Prime Minister Mulroney at Quebec Summit; conducted negotiations and consultations with Canada over series of bilateral issues including compulsory licensing of pharmaceutical patents, lumber, border broadcasting, tax on foreign literature, GATT Article XIX (safeguard) actions and GATT Article XXVIII (tariff changes) actions.

Successfully encouraged the Uruguayan Government to reconsider its decision to impose export subsidies across the board. Participated in consultations with Uruguayan Government to discuss full range of bilateral trade and investment matters; achieved the granting of a U.S. import quota for Uruguayan cheese.

Conducted constructive consultations with the Argentine Government on a 301 case regarding restrictions on international courier services; case was resolved, although petitioner (UPS) is seeking additional action. Held meetings with Argentine officials on their potentially restrictive trade and investment treatment in the informatics sector.

Held several consultations with the Colombian Government to discuss trade and investment issues.

Testified on matters of interest to Congress involving Latin American relations, i.e., trade/debt and trucking.

Participated in meetings in the U.S., Caribbean Basin countries, and Japan on implementation of the Caribbean Basin Initiative. Designated Bahamas as a new CBI beneficiary.

Initiated bilateral discussions with Canadian Government concerning possible comprehensive free trade arrangements.

Provided staff support and policy/technical information to Members of Congress involved in U.S.-Mexico Interparliamentary Conference and to Congressional staff on variety of Latin American trade/investment issues.

Consulted with Latin American countries on the GSP general review.

Held bilateral investment discussions with Ecuador.

Represented the U.S. Government at CECON meetings dealing with North-South trade matters.

Japan and China Affairs

Goals

The Assistant U.S. Trade Representative for Japan and China Affairs is responsible for the formulation, coordination, and implementation of trade and investment policy toward Japan and China. The office provides leadership for dealing with bilateral issues between the U.S. and Japanand China. On certain industrial or agricultural issues, or on issues involving multilateral or international organizations, support is provided to those units in USTR that have the lead role.

The goals of the unit focus on promoting trade and investment between the U.S. and Japan and China. Regarding Japan, this centers primarily on the effort to open the Japanese market to U.S. manufactured products. For China, the unit's activities focus on the attempt to develop and expand the bilateral trading relationship.

Positions

Ceiling

Assistant U.S. Trade Representative
Director for Japan
Secretaries (2)

Non-Ceiling

Assistant to Director for Japan
Assistant to Director for China

Japan and China Affairs

Accomplishments

Over the past year, progress toward further opening of the Japanese market to U.S. product has been achieved in a number of sectors. A series of high-level, intensive negotiations over the past year, known as the Market Oriented Sector Selective (MOSS) Negotiations, have led to reduction of Japanese trade barriers in the electronics, telecommunications, medical equipment and pharmaceuticals, and forest products sectors. While some issues remain outstanding in these sectors, there has been a substantial increase in opportunities for U.S. exports in these fields.

USTR also successfully concluded an agreement to resolve a long-standing dispute over Japanese barriers to imports of leather and leather products. The agreement provides for Japanese tariff reductions that are expected to lead to some $236 million in increased U.S. exports to Japan of a wide variety of manufactured goods.

Organized, coordinated, and chaired two meetings this year of the U.S.-Japan Trade Committee (in March and June) and currently preparing for a third meeting (September 18). These meetings provide an opportunity to discuss a wide range of outstanding bilateral issues that are not included in the MOSS negotiations.

Played key role in the U.S.-Japan Economic Sub-Cabinet Consultations held in March. Currently making preparations for the trade portion of the Economic Sub-Cabinet consultations to be held September 19 and 20.

Prepared background notes and issue papers on Japan for Senate confirmation hearings in June of the new United States Trade Representative.

Briefed several Congressional delegations before their trips to Japan, both orally and by supplying written materials.

Prepared materials on Japanese trading practices as part of the Administration's major reassessment of U.S. trade policy.

Prepared, and successfully reached agreement with the Government of Japan on the mutual elimination of tariffs on computer parts. Under this agreement, the U.S. eliminates tariffs on computer parts in return for Japan eliminating tariffs on computer parts, peripherals, and central processing units.

Participated in the investigation and consultations associated with the Section 301 petition filed in June by the U.S. Semiconductor Industry Association.

Asia and the Pacific

Goals

The goals of this unit are to:

Obtain increased liberalization of newly industrializing countries' (NICs) import regimes in areas of importance to U.S. farmers, manufacturers, and services industries. Of particular importance will be Korea, Taiwan, and India.

Minimize the use of export subsidies, performance requirements, offset and countertrade requirements, tariff and non-tariff barriers by middle-income developing countries that are turning toward export-oriented development strategies (e.g., Indonesia, Malaysia, Thailand and Pakistan).

Work with high-debt developing countries (e.g., the Philippines) and very poor developing countries (e.g., Bangladesh) to promote more open trade solutions to their development problems.

Strengthen the protection of American intellectual property rights (trademarks, patents, copyrights, and "trade dress") in trade involving Asian developing countries. Apply pressure bilaterally to solve the problems of counterfeit goods and trademark infringement in Taiwan, Korea, Hong Kong and ASEAN (Association of Southeast Asian Nations).

Obtain liberalization of New Zealand's and Australia's import restrictions on manufactured goods in which American firms are competitive. Ensure that implementation of the Closer Economic Relationship (CER) between Australia and New Zealand does not put American exporters at a disadvantage.

Promote closer trade ties with the members of the Micronesian Compact, to ensure that our foreign policy goals with the former Trust Territories of the Pacific are met.

Strengthen regional trade cooperation in the Pacific Rim to mobilize the region as a positive force in the new GATT multilateral trade round.

Obtain acceptance by the remaining non-signatories of the GATT codes on non-tariff barriers, especially subsidies, government procurement, import licensing and customs valuation.

Positions

Ceiling
Assistant U.S. Trade Representative
Deputy Assistant USTR - Korea, Taiwan and Hong Kong
International Economist - ASEAN (Philippines, Thailand, Indonesia, Singapore, Malaysia, and Brunei)
International Economist - South Asia, Australia, New Zealand and Oceania
Secretaries (2)

Non-ceiling
International Economist - Pacific Rim Cooperation

Asia and the Pacific

Accomplishments

Obtained congressional approval for the Administration's legislative proposal for the renewal of the Generalized System of Preferences (GSP).

Established procedures and regulations for implementing the renewed GSP program. These procedures included provisions for full consultation with and advice from the U.S. private sector before all major decisions involving the level of benefits to developing countries.

Held public hearings on beneficiaries' practices concerning market access for U.S. goods and services, restrictions on foreign investment, protection for intellectual property rights, unreasonable export practices, and respect for internationally recognized labor rights.

Completed the 1984 GSP annual review, which covered 30 petitions for product-related changes in the program, 124 cases of potential presidential discretion in redesignating individual beneficiaries for duty-free treatment in specific products, 309 cases of potential presidential discretion in granting competitive need waivers, and review of trade statistics for 3,000 products to determine competitive need exclusions.

Conducted GSP seminar in Nepal as part of effort to increase the share of GSP benefits for the world's least developed countries (LLDCs).

Completed negotiation of the U.S.-Israel Free Trade Area (FTA), the first comprehensive and reciprocal trade agreement between the United States and a foreign country. The FTA covers tariffs, non-tariff barriers, export subsidies, trade in services and protection of intellectual property.

Obtained ratification of the U.S.-Israel FTA and implemented first stage of the agreement.

Completed negotiations on bilateral subsidies code commitments with Israel, Turkey, Indonesia and the Philippines.

Withdrew the injury test in countervailing duty cases from New Zealand in response to New Zealand's failure to abide by the conditions of the 1981 bilateral agreement on New Zealand's GATT Subsidies Code commitment.

Completed negotiations with Korea to increase the interest rate charged by the Export-Import Bank of Korea (KOEXIM); agreement included a formula for adjusting KOEXIM lending rates semiannually in order to ensure Korean compliance with its GATT Subsidies Code commitment.

Obtained unilateral tariff reductions by Korea on velveteen, corduroy, certain chemicals and glassware. Obtained liberalization of Korea's import licensing restrictions on fresh cherries, almonds, fresh grapefruit, certain machine tools and construction equipment. Obtained elimination of Korea's ceiling on shipment size for imported glassware. All of these measures were requested by the U.S. private sector.

Obtained unilateral tariff reductions by Taiwan on more than 100 products, including raisins, almonds, chocolate confectionery, wood products, leather products and cosmetics.

Obtained liberalization of Malaysian product standards that was impediment to imports of certain chocolate confectionery from the United States.

Obtained interim resolution of customs valuation problems facing American exporters of cosmetics to Taiwan. Permanent resolution of problem will occur when Taiwan implements the GATT Customs Valuation Code.

Obtained permission for foreign insurance companies to write compulsory automobile insurance for Korean nationals. Self-initiated section 301 investigation against Korean barriers to foreign firms wishing to write life insurance and fire insurance in the major cities. Self-initiated Section 301 investigation against Korea's inadequate protection of intellectual property.

Obtained elimination of Korean import quotas on foreign motion pictures and elimination of Korea's ceiling on royalties paid to foreign motion picture distributors.

Held consultations on the strengthening of intellectual property protection in Korea, Taiwan, Hong Kong, Singapore, Thailand, Malaysia, Indonesia, and India.

Obtained passage in Taiwan of an improved copyright law; bilateral consultations before passage of the law ensured the inclusion of several elements of importance to the United States (e.g., copyright protection for computer software).

Obtained agreement by Taiwan that U.S. insurance companies would be permitted to issue property-casualty and marine cargo insurance to U.S. joint ventures in Taiwan.

Obtained reduction of Taiwan's customs uplift from 10 percent of C.I.F. (charges including freight) value to 5 percent, with commitment to eliminate the uplift by January 1, 1986.

Obtained agreement by Taiwan that the import ban on beer would be lifted in January 1986 and that imports of U.S. beer, wine and cigarettes would be determined by market demand.

Obtained agreement from Taiwan that discriminatory taxes on foreign motion pictures would be reduced.

Completed negotiations with Korea and Australia on a five-year export restraint agreement on steel, pursuant to the President's September 1984 steel trade policy.

Completed Memorandum of Understanding on investment with Indonesia.

Obtained rollback of Thai tariffs on products affected by April 1985 tariff increase on which U.S. had GATT concessions.

Obtained liberalization of Australia's offset requirements.

Completed negotiations on trade matters at two meetings of the UNCTAD Trade and Development Board (TDB) and at the UNCTAD Special Committee on Preference in a manner that maintained the primacy of the GATT and prevented UNCTAD inroads into the GATT Ministerial work program. This was especially important with regard to trade in services.

Completed negotiations on trade preferences in the Organization of American States(OAS) that avoided any negative impact on the autonomy of the U.S. Generalized System of Preferences (GSP).

Obtained approval by ASEAN, Korea, Hong Kong, Australia, New Zealand, Bangladesh, and Israel for establishment of a preparatory committee of the GATT Contracting Parties to prepare for a new GATT round of multilateral trade negotiations.

Deputy USTR-Washington

Responsibilities

The Deputy USTR in Washington for Sectoral and External Affairs, and Management, is responsible for the day-to-day operations of the agency as they relate to his responsibilities. This includes management of the following units within the agency: Industry and Services, Agriculture and Commodities, Congressional Affairs, Public Affairs and Private Sector Liaison, Management, and Computer Operations. In the absence of the USTR, the Deputy acts as Acting USTR.

Positions

Ceiling
Deputy USTR (Ambassadorial rank)
Executive Assistant
Secretary

Industry and Services

Goals

Developing, in consultation with USTR's advisors and the private sector, trade and investmen policy strategies for specific industries consistent with the Administration's policies.

Improving quality of advice we receive from the ISACs, IPAC, DPAC, and SPAC.

Providing sound analysis of specific industries, including whether or not they are invested overseas as well as extent of foreign ownership in U.S.; their import and export problems and prospects; and their potential future markets and competitors.

Providing sound advice on the economic impact on specific industries of actions taken under various import statutes.

Providing competent assistance in specific negotiations on industry and service issues.

Providing sound advice on the competitive impact on specific industries on non-trade and investment policies.

Providing sound analysis on the impact of legislative proposals on specific industries in the trade and investment area.

Developing multilateral and bilateral negotiating initiatives in the services area.

Addressing and resolving trade and investment problems in individual service sectors (e.g., telecommunications, shipping, aviation, insurance, motion pictures, construction and engineering, tourism, franchising and leasing, professional services).

Improving USG data collection ability in the services trade.

Leading U.S. negotiating teams as assigned, in both bilateral and multilateral negotiations (e.g., GATT, OECD), of a sectoral nature (e.g., Steel, Aerospace, Services).

Positions

Ceiling

Assistant U.S. Trade Representative for Industry and Services
Deputy Assistant U.S. Trade Representative for Industry - with line responsibilities for pharmaceuticals, motion pictures, footwear, consumer goods, trade adjustment, IPAC, ISACs 4 and 8.
Deputy Assistant U.S. Trade Representative for Services - with line responsibilities for insurance, banking and other financial services, intergovernmental affairs, construction services, SPAC.
International Economist - Aerospace, defense trade/offsets, aviation services, Leather and Leather Goods, ISAC #1.
International Economist - Capital goods, Machine tools, Industrial and Construction Materials, Professional Services, Strategies for Industrial Competitiveness, Leasing, GSP Liaison, IASCs 2 and 9.
International Economist - Energy, Chemicals (including petrochemicals and plastics), Fertilizers/Pesticides, Wood Products, IASCs 3 and 6.
International Economist - Computers and business equipment, computer software, data processing, tourism, services data and analysis, Maritime, ISAC 13.
International Economist - Carbon steel, Speciality steel, Ferralloys, ISAC 7.
International Economist - Automotive and transportation equipment, agricultural and construction equipment, paper and paper products, nonferrous metals, small and minority business, ferralloys and steel back-up, export policy, miscellaneous services; ISACs 10, 11, 12, 14.
International Economist - detailed to DOD to complete Career Development Plan
Secretaries (3)

(ISAC = Industry Sector Advisory Committee)

Positions

Non-Ceiling

Contractor - Telecommunications Equipment, Telecommunications Services, Consumer Electronics, Semiconductors, ISAC 5.

Non-Reimbursable Detail- Biotechnology, Regulatory Affairs, Medical/Scientific Equipment, Chemicals Back-up, Intellectual Property Liaison.

Contractor - Steel back-up, Legal Advice on Services Negotiations

Industrial Trade Policy

Accomplishments

Following a Presidential decision to establish a special program to assist the steel industry in its efforts to combat unfair trade, negotiated steel trade agreements with 17 countries.

Negotiated extension of EC Arrangement on carbon steel to cover pipe and tube and "consultation products" (not subject to specific restrictions).

Chaired interagency shoe committee responsible for reviewing the recommendations of the U.S. International Trade Commission in the footwear import relief case and coordinating the preparation of the Cabinet's recommendations to the President.

At meetings of the OECD Steel Committee, USTR pressed U.S. objectives for: (1) more rapid and effective structural adjustment in the world steel industry and the elimination of trade barriers to free and undistorted trade (particularly in specialty steel), (2) the adjustment of inventory and capacity in the oil-country tubular goods sector, and (3) the elimination of the subsidy element in official export credits for steelmaking plant and equipment. Also completed a round of individual country reviews on meeting these objectives.

Oversaw administration of the import relief program for specialty steel. Conducted an annual review of the specialty steel import relief and prepared report to the President.

Coordinated policy on trade aspects of U.S. automotive industry problems leading to a decision by the President not to urge the Japanese Government to extend their unilateral auto export restraints to the United States. Prepared Congressional testimony for the USTR on the effects of restraints on the auto industry and on the rationale for the President's decision.

Oversaw administration of motorcycle import relief including monitoring of imports and the adjustment of the industry.

Co-chaired and structured U.S. participation in U.S.-EC working group on high technology, aimed at improving understanding, reducing trade barriers and promoting mutually beneficial cooperation in the high technology industries.

Undertook study of foreign industrial targeting practices to determine if the current unfair trade laws deal effectively with these practices. This involved three sector studies, conclusions, and recommendations, and was submitted to Congress by July 15, the statutory due date.

Led U.S. delegation at meetings of the GATT Committee on Trade in Civil Aircraft.

Led interagency coordination of U.S. Government response to foreign governments' economic and political support of their aircraft industries.

Led U.S. delegation of Presidentially established Aerospace Working Group with the Government of Italy to explore means to facilitate cooperation in this sector.

Developed USG positions for consultations under the nuclear power plant financing agreement that became effective in 1984.

Prompted Administration's review of tied aid (mixed credit) problem which resulted in Cabinet decisions to seek supplemental appropriation for the establishment of $300 million export credit "war chest" to support $1 billion in exports against mixed credit competition.

Participated in interagency committee, established at USTR's request, to promote major export projects.

Led U.S. delegation in international consultations on the trade distorting effects of foreign government demands for offsets in conjunction with military purchases.

Established work program on international chemical labeling, one immediate result being the insertion of new language in Occupational Safety and Health Administration labeling regulations directed toward future international labeling harmonization.

Drafted Section of report to the Congress on the impact of military offsets mandated by Section 301 of the Defense Production Amendment Act of 1984.

Coordinated Administration's response to telecommunications trade legislation.

Coordinated Administration's position on high technology tariff negotiations authorized by the Trade and Tariff Act of 1984. Participated in negotiations and implementation of the resulting agreements on semiconductor and computer tariffs with Japan and Canada.

Conducted review of barriers to U.S. telecommunications industry's participation and competition in the Japanese telecommunications market. Prepared analysis of issues and participated in U.S.-Japan Market Oriented Sector Selective (MOSS) negotiations.

Coordinated interagency development of high technology priorities to be used in U.S.-Canada bilateral trade talks.

Initiated interagency development of a U.S. strategy regarding increased access to the European telecommunications market.

Provided support for USTR-led investigation of U.S. Semiconductor Industry Association's Section 301 petition on Japanese market barriers in microelectronics.

Participated in USTR effort to develop a catalog of major non-tariff barriers facing U.S. industry pursuant to Section 303 of the Trade and Tariff Act of 1984.

Developed natural/energy resource issue for review by USG policymakers, including formation and direction of TPSC Energy Resource Working Group.

Coordinated USG efforts on triple superphosphate problem with EC and headed U.S. delegation to GATT consultations in Geneva.

Headed U.S. delegation to OECD petrochemical experts meeting in Paris.

Led Administration's efforts on refined petroleum products trade issues and testified before Congress.

Coordinated USG's effort on uranium trade issue and testified before Congress.

Participated in bilateral and interagency discussions leading to relaxation of crude oil export restrictions as they related to Canada.

Coordinated Administration's position on gasoline and related tariff issues (e.g., blendstocks and ethanol).

Chaired trade policy subcommittee of Committee on Renewable Energy Commerce and Trade, concerned with market access problems.

59-301 O-86—3

Provided substantive support to the Staff Director for International Trade and Senior Economist of the President's Commission on Industrial Competitiveness, in developing recommendations for improvements in U.S. trade competitiveness. Represented USTR in Cabinet Council on Commerce and Trade in developing recommendations for disposition of all of the Commission's recommendations, covering human resources, international trade and marketing, capital resources, and production and technology. Developed guidelines for use by OMB to determine trade impact of proposed regulations.

Developed Administration's position and Congressional testimony supporting amendment of unique U.S. law which places American manufacturers at a competitive disadvantage by denying export of new pharmaceuticals and biologicals until they have first been approved in the United States.

Authored the international harmonization section of the Administration's position for a coordinated framework for regulation of biotechnology so that regulatory decisions can be made in a socially responsible manner while allowing U.S. firms to remain competitive.

Reached agreement with the Commission of European Communities, for cooperation in seven scientific and regulatory areas of biotechnology.

Initiated effort resulting in an important agreement among U.S., Canadian, and European industrial scientists offering guidance for consistent classification of chronic hazards to avoid creation of technical barriers to trade in this area.

Commenced discussions with Swedish authorities concerning areas of concern to the U.S. chemical industry in their development and implementation of the new Swedish chemical products laws.

Coordinated industry-government assessment of forging industry trade problems and prepared, for TPSC approval, a study methodology for a USITC investigation of the industry and Presidential directive initiating it.

Prepared initial positions for the Market Oriented Sector Selective (MOSS) negotiations with Japan on medical equipment and pharmaceutical trade issues and worked with industry to develop and analyse new issues.

Participated in two years of negotiations on aircraft financing culminating in a new sector understanding on Official Supported Export Credits for Large Civil Aircraft.

Represented USTR at meetings of the U.S. Export-Import Bank, bringing trade policy perspective to key decisions of the Board on export financing affecting significant volumes of potential exports.

Services

Accomplishments

Reached agreement with Israel on Services Declaration as part of free trade agreement with Israel.

Negotiated with Korea on unfair trade practices in insurance (301 case).

Prepared extensive sections on services in the National Trade Estimate report sent to Congress as required under the Trade Act (Section 303).

Represented the United States in GATT Services Review of national studies.

Participated in strategy leading to establishment of GATT preparatory committee for the New Round.

Developed compilation of 500 services barriers presented to GATT committee on services.

Worked closely with representatives of other countries to develop consensus on conceptual framework paper in OECD for negotiation of trade in services multilaterally.

Obtained report from USITC on Japan's practices in air transportation field and placed Nippon Cargo Airways (NCA) aviation issue into trade context for resolution.

Worked closely with Commerce Department to develop survey questionnaire for improvement of data on trade in services.

Completed negotiation on the U.S.-Israel Declaration on Trade in Services, the first international understanding entered into by the United States that applies a trade discipline, on a comprehensive basis, to services.

Prepared and carried out sectoral consultations on tourism with the Government of Israel in the framework of the Declaration on Trade in Services.

Congressional Affairs

Goals

The Office of Congressional Affairs coordinates liaison activities within the agency, and between the agency and Members of Congress, and relevant Congressional Committees and their staffs. This includes coordination of participation of the USTR, Deputies, the Chief Textile Negotiator and professional staff in Congressional meetings and hearings, responding to information requests, and keeping Members and Committees current on the agency's activities. The development of legislation and the scope of trade-related hearings are also coordinated.

A major responsibility of Congressional Affairs is to seek Congressional approval of Administration-supported trade legislation, and to express opposition to legislative measures which are contrary to the Administration's trade policy, U.S. obligations under international agreements, or to the President's Economic Recovery Plan.

A significant function of Congressional Affairs is to brief and advise the USTR, Deputies, and senior staff on upcoming trade related legislation and hearings to assure that the views of individual Congressional members are well understood.

All Congressional correspondence, USTR testimony, and trade policy decisions are reviewed by the Congressional Affairs Office before final recommendations are submitted to the USTR.

The Assistant USTR for Congressional Affairs chairs the interagency Subcommittee on Congressional Liaison of the TPSC. The goal of this group, which has met on an average of twice monthly since 1982, is to ensure coordination of U.S. trade policy among all agencies and offices of the Administration in areas of concern to Congress.

Positions

Ceiling

Assistant U.S. Trade Representative
Deputy U.S. Trade Representative
Legislative Affairs Officer
Secretary

Non-Ceiling

Student Volunteer

Congressional Affairs

Accomplishments

Assisted with the development and coordination of the Administration's efforts to secure Congressional approval for several pieces of trade-related legislation including: Reauthorization of the Generalized System of Preferences (GSP) program; Presidential Tariff Negotiating Authority to pursue free trade negotiations with Israel and Canada; successful passage of the Foreign Sales Corporation (FSC) Export Incentive; Senator Danforth's Reciprocity Trade Bill; Reform Amendments to the Foreign Corrupt Practices Act (FCPA); Amendments to the Countervailing Duty and Anti-Dumping laws; successful passage of extension of the International Coffee Agreement.

USTR Congressional Affairs also played major roles in opposing legislation that was contrary to Administration's trade policy and to the President's Economic Recovery Plan. Among such measures were: the textile, etc., "Buy America" requirements on cement, building materials and other products in the Defense Appropriations bills of 1982, 1983, and 1984, in the Dairy and Tobacco Adjustment Assistance Act of 1983, in the Surface Transportation Assistance Acts of 1982 and 1983; the Wine Equity Act; Steel Quota legislation; Copper Quota legislation; Footwear Quota legislation; assorted tariff-increase bills and amendments; amendments to the U.S. Customs Appropriations bill to cut off funding to implement the Caribbean Basin Initiative (CBI); Domestic Content bill; Automobile Quota legislation.

Conducted numerous meetings of the interagency Congressional Liaison Subcommittee of the Trade Policy Staff Committee (TPSC). The Subcommittee helped develop the Administration's strategy on general and specific trade legislation.

Strengthened communications with Members of Congress and their personal and committee staffs through periodic briefings, and maintained an immediate response system for Congressional inquires on trade matters.

USTR Congressional Affairs also self-initiated letters to all Members of the House and/or Senate in an effort to better inform Members of USTR's accomplishments, trade policy decisions, and support or opposition to specific legislative measures. Often, the Office of Congressional Affairs drafted, edited, outlined, cleared, typed, and delivered all letters. Topics of these personalized mass-mailings included: Japan's voluntary restraints on automobile exports to the United States for 1984-1985; results of U.S.-Japan negotiations on beef and citrus; opposition to the Domestic Content bill, to the Steel Quota bill, to Congressman Gibbons' Trade Remedy Reform Act, to "Buy America" amendments; support for the Foreign

Gibbons' Trade Remedy Reform Act, to "Buy America" amendments; support for the Foreign Sales Corporation (FSC) legislation, for Senator Danforth's Reciprocity bill, for amendments to the Foreign Corrupt Practices Act (FCPA); results of the U.S.-Japan negotiations on telecommunications trade under the NTT agreement; results of U.S. negotiations with Japan, Europe and Canada on access to foreign wine markets; import relief decisions.

Assisted in the development of testimony and briefing materials for the use of the USTR, Deputies, and senior staff before the Ways and Means, Agriculture, Banking, Foreign Affairs, Appropriations, and Energy and Commerce Committees of the House, and the Finance, Agriculture, Banking, Appropriations, Commerce, and Small Business Committees of the Senate, and the Joint Economic Committee. In this regard, the Congressional Affairs Office coordinated USTR appearances at House and Senate hearings and committee mark-up sessions.

Provided detailed written reports every week on the activities of Congress to USTR senior staff and to the White House Legislative Affairs Office. Also, distributed detailed Status Reports on specific pieces of legislation to USTR staff and the White House staff, as necessary.

Supplied the staffs of the House Ways and Means Committee and the Senate Finance Committee with trade policy information as appropriate. Materials include screened State Department cables, Trade Policy Committee papers, USTR reports, speeches and testimony, monthly trade data, copies of the Annual Report for National Trade Estimates-1985, and the ITC report on "Conditions Relating to the Importation of Softwood Lumber into the United States."

Office of Management

Goals

The Office of Management (OM) has responsibility and authority for: personnel and financial management; management policy development and related procedures; accountability systems; procurement; space; career and executive development; implementation of all aspects of the Civil Service Reform Act; EEO; and all related liaison activities with other agencies in Washington and, in the EOP complex (e.g. OMB, Office of Administration and White House and Presidential Personnel), with the U.S. Mission-Geneva, the Regional Administrative Management Center (RAMC)-Paris, and the Congress. The Director-OM has been designated by the USTR as the Senior Internal Control Official for the Federal Managers' Financial Integrity Act, and as Senior Official for Information Resource Management activities as required by the Paperwork Reduction Act.

OM participates actively in the formulation of the agency's programs and goals and integrates these initiatives into resource planning and execution. It is responsible for effective utilization and control of all the agency's resources, which involves the evaluation of priorities, accommodation of changing priorities, and the development of alternate plans.

Overall strategy is formulated and related materials are developed for the presentation by the USTR of resource requirements and estimates to both the OMB and Congress. This includes the preparation of special analytical data, conducting pre-hearing briefings for the USTR, accompanying the USTR to hearings and testifying as required, preparation of responses to questions raised by Congressional members both before and after hearings, and special requests from several committees. Broad analyses are used to evaluate goals, costs, results and alternate approaches to assure the best use of available funds and personnel. Information is also provided to the media and to the public in assigned areas of responsibility.

The Director-OM is the principal advisor to the USTR, his three Deputies, and the Chief Textile Negotiator, all of whom hold Ambassadorial rank, and the senior staff, on all phases of resource management and security, including matters of a highly sensitive and confidential nature.

Most of these functions are accomplished for both the Washington and Geneva, Switzerland offices.

Positions

Ceiling (permanent)
Director-Office of Management - overall responsibility for resource matters, policies, procedures, technical advice to Ambassadors and senior staff.
Assistant Director - financial planning, budget formulation, contracts, interagency agreements, and security.
Budget Analyst - budget analyses and funds controls.
Administrative Assistant - general administrative matters, space, furniture, supplies, equipment, travel, inventory control and procurement.
Secretaries (2)
Driver/Messengers (3)
Secretarial Pool

Non-Ceiling
Intermittent Contractors (3) - CSRA and OPM requirements; security; institutional memory
Part-time messengers (2) (Stay-in-School Program)
Clerical-Secretarial Assistant (2) - Stay-in-School Program
Student Volunteer

Office of Management

Accomplishments

Successful and continuous updating and implementation of the Performance Appraisal System for all employees. All requests to OPM for SES certification were approved. Revised SES appraisal system to assure compliance. Analyzing new OPM requirements on performance and recognition.

Continuing to oversee compliance with overall requirements of the Civil Service Reform Act and to keep abreast of new OPM thrusts.

Advised USTR and senior staff on process to be followed regarding members of the SES and internal reorganization of the agency.

Continuing to improve computerized procedures for tracking funds to ensure efficient resource utilization, e.g., monthly status of funds reports (including the Geneva Office); more intensive analysis of Office of Administration's reports and reconciliation with those reports to increase flexibility in funds utilization; and improvement of tracking of workyear utilization.

Continuing to monitor internal security policy and procedures to assure compliance with governing Executive Orders and the requirements and guidance of GSA`s Information Security Oversight Office; training conducted for Top Secret Control Officers and alternates; safe combinations changed in all offices; automated an employee security clearance list: established exit procedures for departing personnel; increased emphasis on desclassification, retirement and destruction of documents. Arrange for periodic security briefings for new staff. New USTR pass system inaugurated. Arranged for security briefings, for USTR, his Deputies and their immediate staffs. Began security survey of agency.

Continuing the University Volunteer Intern Program to cover all local universities and special intern programs run by universities nationwide. This volunteer program saves the government more than $100,000 per fiscal year. The program is conducted throughout the year rather than summers only. During Fiscal Year 1985, more than 325 students applied; 42 were selected to participate from more than 23 universities.

Instituted mail delivery and messenger system to assure rapid delivery throughout the course of the work week and improved the supply system.

Followup activities are under way on project initiated in 1982 to investigate appropriate recruitment-retention-development techniques for trade negotiators. Four projects are ongoing: survey of training and developmental needs of mid-level professionals, review of existing institutional information and demonstration of possible approach to improvement of institutional memory for potential use in planning, career development and negotiations, and a survey of available developmental experiences for trade negotiators. Most of this work will be completed in FY 86.

Handled more than 350 documented employment inquiries including those directed to the USTR.

Designed and implement computerized inventory of all furniture and equipment.

Conducted briefings on time and attendance procedures for all lead secretaries, and held briefing for lead secretaries on scope of services they receive from the Office of Management.

Completed relocation of personnel in the Winder Building and numerous personnel actions generated by the internal reorganization of USTR.

AGRICULTURAL AFFAIRS AND COMMODITY POLICY

Goals

The goals of this unit are to:

Achieve economic provisions in international commodity agreements which represent an equitable balance between consumer and producer interests. Liberalize access to Japanese and other Asian markets via tariff reductions and quota expansions or elimination; begin negotiations on replacement of beef and citrus quota agreements with Japan; present beef and citrus agreement expires March 31, 1988. Improve GATT rules on trade in agricultural products to make it more difficult for countries to restrict market access and subsidize exports; limit EC export subsidies on agricultural products.

Positions

Ceiling
Assistant U.S. Trade Representative
International Economist - livestock, dairy, poultry and oilseeds policy
International Economist - Director for Commodity Policy and Grains
International Economist - horticultural, alcoholic beverages, and Japanese agricultural trade policy.
International Economist - tobacco, cotton and fish policy
Secretaries (2)

Non-ceiling
Detail - Clarification of subsidies rules in GATT Subsidies Code, GC enlargement trade issues, other projects as assigned.

Agricultural Affairs and Commodity Policy

Accomplishments

Negotiated, within the framework of the existing International Coffee Agreement, rules prohibiting concessional sales to non-members.

Developed the USG's position for Sugar Council meetings under the International Sugar Agreement(ISA), and led the U.S. delegation to those meetings. Administered the ISA export stamp program in the United States.

Developed the USG position for renegotiation of the International Natural Rubber Agreement (INRA) and led U.S. delegation to the negotiating conference. Developed positions on price range revisions, buffer stock management and other significant issues for the Council meetings under the INRA. Led U.S. delegations to these meetings.

Developed the USG's position for the Lead and Zinc Study Group, the International Rubber Study Group, the UNCTAD Committee on Tungsten, the Australian proposal to establish an International Nickel Discussion Group, and the UNCTAD Preparatory Group meeting on iron ore. Aslo developed USG position for meetings of the GATT Working Party on Trade in Natural Resources.

Directed the allocation of U.S. sugar import quotas among sugar suppliers in accordance with GATT criteria.

Developed within the GATT Committee on Trade in Agriculture recommendations to liberalize trade which were presented to and approved by the GATT Contracting Parties.

Led U.S. delegation to meetings of GATT Committee on Trade and Agriculture and participated in international effort to elaborate recommendations developed by the Committee.

Sought and obtained interagency approval for proposal that U.S. should withdraw from International Dairy Arrangement and implemented that decision.

In cooperation with the Private Sector unit, organized and directed meetings of the Agricultural Policy and Technical Advisory Committees and the Commodity Policy Advisory Committee to provide private sector advice for the USG's international agricultural trade and commodity policy.

Negotiated an agreement with the European Community to resolve outstanding Section 301 case involving trade in canned fruits and raisins. EC has agreed to substantially reduce subsidies paid on canned peaches and to limit the quantity of canned pears which may receive a subsidy.

Negotiated agreement with Government of Canada which exempted high-quality beef from import quotas imposed by Canada. Since about 85 percent of U.S. beef shipped to Canada is high quality, the agreement avoided disruption in U.S.-Canada trade in beef.

Developed proposal, obtained agency concurrences and implemented decision to retaliate against the European Community (EC) because of its refusal to redress U.S. complaint involving trade in citrus.

Consulted with Canadian officials regarding trade distortions resulting from rail rate subsidies granted under Canada's Western Grain Transportation Act. U.S. protests resulted in agreement by Canadian authorities to restrict the amount of millfeed shipments on which subsidy would be paid.

Consulted with officials in Argentina, Brazil and Malaysia regarding the trade distorting affects of differential export tax systems maintained by those countries for oilseeds and oilseed products.

In connection with a pending Section 301 case involving Brazil's export subsidy practices for soybean products, consulted with Brazilian authorities to clarify extent and effects of such subsidies.

Public, Intergovernmental, and Private Sector Affairs

In the Office of the U.S. Trade Representative the three offices of Public, Intergovernmental, and Private Sector Affairs are functionally linked through common supervision by an Assistant USTR but are still distinct entities. Therefore, the goals and accomplishments reflect this structure.

Public Affairs

Goals

The principal goal of Public Affairs is to accurately communicate the agency's views and policy positions to the media and to the public. A related activity is to analyze and advise the staff on media and public reaction to policies formulated by the agency.

Direct assistance is provided to the USTR by preparing speeches, media releases, and when necessary, correspondence, which are designed to keep the media well informed on U.S. trade policies, decisions, and actions. Background conferences, briefings, and interviews, as well as related materials, are coordinated through Public Affairs.

Meetings on public affairs matters, which have strong trade implications, are conducted with key officials of other agencies to be certain that all concerned agencies reach agreement on statements to be made to the media.

Intergovernmental Affairs

Goals

The principal goal of Intergovernmental Affairs is to act as liaison between the federal government and all interested individuals and institutions representative of non-federal governmental entities. These are generally defined as state, county, and municipal governments, and in some cases multi-state associations and commissions.

Meetings on trade matters affecting state or local government are held with appropriate officials. Information on such issues is gathered and then disseminated both to and from such officials. The staff advises the USTR and other key USTR officials on trade issues with intergovernmental implications.

Private Sector Liaison

Goals

The Private Sector Liaison unit serves as principal coordinator of trade policy matters which involve advice from the private sector constituency.

The staff coordinates the activities of a private sector advisory structure, mandated by the Trade Act of 1974, as amended by the Trade Agreements Act of 1979. There are currently 44 committees which cover a wide range of trade policy areas. The goal is to assure that advice of the private sector is sought regarding U.S. negotiating objectives, bargaining positions, as well as assisting the U.S. Government in its formulation of trade policy. Also, the Trade Agreements Act of 1979 provides that the committees take a larger role in properly monitoring the implementation process of the MTN. Continuous liaison is maintained with industry, agriculture, labor, services industries, consumers, small business, and other individuals and institutions who are involved in trade and investment issues.

The unit has responsibility for encouraging U.S. commercial and economic ties with Egypt and Israel and with the Caribbean Basin. With the advice of appropriate private sector groups and other U.S. government agencies, specific policies are developed to encourage investment in these regions.

Besides maintaining contact with the private sector through the formal committee system, the unit maintains a strong informal relationship with trade associations, academic institutions and other groups, both domestically and internationally, who have trade and investment interests.

Positions

Ceiling

AUSTR - Public, Private, Intergovernmental, and Private Sector Liaison
Director for Public Affairs
Speechwriter
Director - Private Sector Liaison
Secretaries (2)

Non-Ceiling

Assistant for Commerce Liaison
Assistant for Agriculture Liaison
Assistant for Labor Liaison
Student Volunteers

Public, Intergovernmental, and Private Sector Affairs

Public Affairs

Accomplishments

Continued to maintain and streamline comprehensive and up-to-date lists of the trade community including members of the media, U.S. Government agencies, foreign governments, Congressional staffs, and the private sector, for special mailings, contacts on events of interest to different constituencies, etc.

Wrote, edited, and placed with major newspapers and periodicals throughout the country, articles under the U.S. Trade Representative's byline.

Maintained an accessible news climate surrounding the Office of the USTR which resulted in increased demand for interviews with the U.S. Trade Representative and senior USTR officials. Responded to thousands of media inquiries regarding USTR's views, policies, and actions.

Intergovernmental Affairs

Accomplishments

Proposed and implemented plan for increasing the ability of the federal government, through the Office of the U.S. Trade Representative, to respond effectively to the concerns of the intergovernmental community. An Intergovernmental Policy Advisory Committee was formed and has met to advise the USTR on trade issues of concern to state and local government.

Developed a data base on trade policy activities of the fifty states and several sub-state entities.

Responded to numerous individual inquiries on state trade matters.

Public Sector Liaison

Accomplishments

Expanded scope of committees to cover state and local governments, because of such issues as state unitary tax laws and Buy American provisions. This was done to increase the awareness of state and local officials on the impact of their regulations *vis-a-vis* federal policies.

All of the Advisory Committees were rechartered and their memberships reviewed to better reflect economic interests, geographic representation, and U.S. Government needs.

Developed a work plan to encourage the private sectors of the world to work together to help governments solve problems in an increasingly interdependent economic climate. Meetings were held under the auspices of international trade groups, such as the Trade Policy Research Centre and Business Industry Advisory Council to OECD. The office was also involved in meetings between foreign groups and U.S. businessmen such as The Confederation of British Industries and the Confederation Nationale Patrenot Francaise.

Continued work on an automated system which would provide on-line status reports of all advisory committee activities, including meeting dates, membership status, issue positions, etc. to be used interagency-wide.

Computer Operations

Goals

The USTR Computer Group provides leadership to other agencies in the trade data area and is involved in a number of support activities within USTR itself. The Computer Group provides coordination in large interagency efforts involving computer processing and telecommunications such as the adoption of the Harmonized System and the Generalized System of Preferences. Preparations are underway to accommodate USTR and interagency data requirements with respect to the proposed new round of multilateral trade negotiations as well as the pending European Community accession of Spain and Portugal. Also, in the interagency context, USTR is maintaining and enhancing a Government-wide computer network to provide easy access to computerized trade data, and an electronic mail system.

Since its inception, the Computer Group has provided trade, tariff and other economic data to the USTR professional staff. This unit has improved its services by giving trade professionals direct access to office automation tools and computer data files via terminals located throughout USTR. The unit has acquired microcomputers to improve the word processing and graphics capabilities. The unit also maintains Trade Action Monitoring Systems and a hard copy, microfiche collection of trade statistics. Daily press clippings are collected and distributed to professional staff and to Congress.

The Computer Group is implementing a long term plan to create within USTR an automated office featuring word processing, correspondence control, document storage and retrieval, electronic mail, telecommunications with the Geneva office, and other office aids such as graphics. The overall goal is to build an integrated network which will enable access to inhouse minicomputers (at both Washington and Geneva offices) and to mainframes (which house major trade data bases) via terminals or microcomputers at either office site. The Computer Group provides an information center for training and technical assistance for all office automation and trade data systems and to satisfy trade information data and systems requirements.

Positions

Ceiling
Director
Programmers (2)
Computer Specialist (1)*
Secretary (1)
Secretariat (1)
Temporary-Student (1)

Non-Ceiling
Contractors (8)
Part-time employee (1)
Students (8) (Stay-in-School Program)

*=Part-time permanent

Computer Operations

Accomplishments

Interagency

The TPSC Subcommittee on Information Systems continued to promote interagency sharing of trade data and computer programs.

Developed a working Harmonized System (HS) Concordance Data Base to support ongoing HS negotiations and the U.S. presentation of the conversion to the GATT. It will also support U.S. involvement in Article 28 bilateral negotiations upcoming in FY86, and ultimately, presentation to Congress. Using data developed by the International Trade Commission, the system and programs for supporting the GATT requests was developed by the subcommitte with support from a private vendor.

Developed and implemented an Harmonized System Comments tracking and retrieval system covering U.S. comments on foreign schedules, U.S. comments on U.S. Schedules and foreign comments on U.S. schedules. The system provides a mechanism for tracking the life of the comments, including reactions, responses and how it has been addressed as far as actions. Accessible in both in Geneva and by agencies in Washington, it is providing a vital negotiating tool for following requests for changes and compensation and for coordinating U.S. Government response.

Initiated interagency involvement in data collection and system development for expanding the Foreign Trade Action Monitoring System (FTAMS) into a more comprehensive nontariff barriers inventory.

Department of Commerce contributed sophisticated retrieval software at the centralized NIH facility for interagency access to the FTAMS data. Maintenance of the U.S. and U.N. Compro systems at NIH was transferred to Dept. of Commerce from USTR, under continued coordination and guidance from the TPSC Subcommittee on Information Systems. USTR established the groundwork for TPSC Agencies to access the UN COMTRADE system at the United Nations Computer in GENEVA, providing the most timely UN trade data available.

Continued publication of a TradeNet Newsletter distributed to participating TPSC agencies via electronic mail to provide updated documentation, announce new technologies in managing trade information and to apprise TPSC Subcommittee members of new data resources and recent policy decisions.

Represented the U.S. and provided expert advice and recommendations to the GATT and country representatives regarding the creation of a common computerized data base for the Harmonized System negotiations.

USTR

A major initiative to considerably enhance the telecommunications links between Computers in the USTR network has recently been completed utilizing state of the art telecommunications equipment. A high speed, secured 9600 baud telecommunications line between the Wang equipment, the UNICC main frame in Geneva, and the Data General and NIH main frame in Washington allow reliable, high speed access to trade data bases at both sites and for document transmission between offices. Personal computers in both offices are situated as satellites to minicomputers, through the mini's a gateway is provided to the IBM mainframes maintained by outside agencies.

Provided data support for the Generalized System of Preferences (GSP) program, the Caribbean Basin Initiative (CBI), and continued support on Tropical Products as previously done for Gatt Ministerial work program. Provided data and tools for Tariff Acceleration, the Israel Free Trade Area, specialty steel and federal procurement.

Provided specialized systems analysis staff on-site to Geneva Office during periods of negotiation relating to the Harmonized System. Established a system manager/operator on a contract basis to support Geneva office operations.

USTR provided a computerized system and support for generating reports and updating the Selected Barriers to Trade in Services report for the GATT and OECD.

Established the in-house computer as a private host on a value added network to enhance communications with USTR computers domestically and from Geneva.

Terminals and personal computers networked to the in-house computer became fully accepted, widely and effectively used throughout the agency. The number of user accounts on in-house computer doubled and the average number of users on the computer on a daily basis increased two-fold.

An outdated, under-powered back-up DG minicomputer was swapped out for a new high capacity MV/10000 DG minicomputer to allow for future growth of users and systems. The existing main computer can now be a true backup for all users in the event of downtime.

Installed software and hardware to allow users to dial out to commercial data bases through existing Data General terminals.

Procured Laser technology system printers to alleviate problems endemic to existing impact printers and to upgrade speed and quality of printed output from office automation products.

Major systems enhancements or overhaul were completed for the USTR staff phone list generation, the Index of Staff Responsibilities, and the internal electronic mail system. Began the process of consolidating all agency mailing lists into a comprehensive system for the whole agency.

New automated systems were developed for section specific tracking of travel funds; creation and maintenance of USTR Trade Term Thesaurus; a Senior Staff locator system, and a Master Menu system which provides easy entry to all trade and office automation systems on the in-house computer.

Provide an enhanced system to track US Government compliance with international procurement codes by downloading portions of the Commerce Business Daily data base to the USTR computer. Expanded tracking and reputing capabilities using the NIH computer.

Customized data entry screens were added to many applications as in-house generalized information retrieval and report generation software package. Expanded user base of AIM system.

Acquired additional microcomputers for support staff and for a professional staff work stations for statistical analysis, and graphics functions.

Acquired off-the-shelf personal computer software for end-user generation of graphs and for project management for selected professional users. Acquired upgraded version of spread sheet software for the in-house computer which has been widely used.

Acquired and installed additional computer work stations for Office Automation and trade analysis purposes both in Washington and Geneva Offices bringing direct access to OA tools to 90% of the staff. Equipped Geneva Office for Harmonized System Staff. Installed terminals or personal computers for Ambassadors and other senior level staff, extending office automation tools to top level management.

Established a formal classroom training schedule covering all computer applications. Since March over 100 USTR staff has been trained under a program of 11 regular classes. These courses have been invaluable to making new staff immediately productive and in upgrading the skills, and thereby the productivity, of experienced users. User and training documentation was completed for all office automation systems and trade applications.

USTR generated user documentation for the U.S. Compro trade routines at NIH, COMTRADE system at UN Computer Center in Geneva, and updated UN system user documentation for NIH.

Completed a major management review of Computer Group's acquisition, inventory and installation procedures, resulting in a detailed tracking and streamlining of procedures. Automated systems are under development for tracking procurement requests, receipt, inventory and installation for equipment, maintenance, and supplies.

Instituted a new Information Services Control Desk and Hot line for servicing requests for technical service, electronic mail, equipment malfunctions, and information and training requests.

Supervised installation of four (4) KY71 telephone units in Geneva and Washington for secured voice communication.

A complete review and update was made to the online book collection catalog.

Continued work on USTR Trade Term Thesaurus and began incorporation indexing capabilities to all newly developed or enhanced applications to begin operational use of Thesaurus in FY86.

Produced and continued to refine a Foreign Trade Actions Monitoring System Report (Foreign TAMS) which inventories foreign trade restrictions of concern to U.S. exporters. Using FTAMS, provided support for generation of country based NTB reports for submission to Congress. Continued to produce a Trade Action Monitoring System of U.S. trade actions which is distributed to the public through NTIS.

Provided graphic and word processing support for preparation of the Annual Report of the President on the Trade Agreements Program. Provided data processing support for preparation of an Inventory of Barriers to Trade in Services which was included in the National

Services Study prepared for the GATT. Arranged for the completed system for the electronic transfer of the text of the Annual Report and the National Services Study for photocomposition.

Provided data and graphics support for USTR speeches and testimony.

Continued to support administrative systems including Correspondence Control, mass mailings, tracking, financial management systems. Programmed and implemented a scheduling system for reserving USTR conference rooms.

Continued publishing an internal monthly newsletter to acquaint computer users with new products and services and to issue instructions for use.

Continued to generate a daily News Clipping Service with expanded distribution to Congress to Gongress and OPS.

Continual support and training of staff access to relevant informational data bases on commercial utilities for more efficient retrieval of staff information requirements, including Dialog, BRS, Chase Econometrics Globe, OAG, and WESTLAW. Added Congressional alert Legislation System and Lexis/Nexis.

TESTIMONY OF
AMBASSADOR CLAYTON YEUTTER
UNITED STATES TRADE REPRESENTATIVE

BEFORE THE

HOUSE APPROPRIATIONS COMMITTEE
SUBCOMMITTEE ON COMMERCE, JUSTICE, STATE,
THE JUDICIARY AND RELATED AGENCIES

FEBRUARY 18, 1986
ROOM H-310, CAPITOL, 10:00 A.M.

Mr. Chairman, I am Clayton Yeutter, the U.S. Trade Representative. I am pleased to appear before you to present the fiscal year 1987 budget request of the Office of the U.S. Trade Representative.

For FY 1986, the resource request that we submitted to you reflects the implementation of the Gramm-Rudman-Hollings legislation, including a cut of 4.3% below our appropriation of $13,158,000. As a result, our budget for FY 1986 is now $12,592,000. For FY 1987, our request for a reduction to $12,216,000 is consistent with the President's commitment to meet the Gramm-Rudman-Hollings deficit reduction target. Like the President, I believe that we have an obligation to meet the targets of this legislation even when aspects of the law's enforcement mechanism are under challenge in court. In fact, the court challenge increases our obligation to meet the budget restraint targets through the legislative process.

Last year we indicated that we were considering implementing an internal organizational restructuring. We have completed the realignment of our staff to make the best use of personnel and funds. The new organization chart is included in the resource request which you have. Through our efforts to make more efficient use of our human resources, we have realized economies which are allowing us to proceed, in the face of Gramm-Rudman-Hollings without having to consider reductions-in-force or furloughs of personnel. We plan to preserve our core professional staff and the related personnel costs. Budget savings will be made in categories other than personnel. We are using every means possible to increase productivity and effectiveness within the resources we have. We are continuing to supplement our permanent staff with a moderate number of nonreimbursable details, volunteer university and presidential management interns and White House Fellows and we will continue to look for ways to stretch our fundings and for savings. I've asked my Deputies and our Office of Management to monitor costs very closely.

When we presented our budget request last year, we reported on a number of trade issues that we planned to pursue. I would like to take this opportunity to review our progress and to outline our goals for the coming year.

The most significant trade development last year was President Reagan's clear and concise articulation of his trade policy. This policy, which rejects defeatist protectionist measures, contains three elemehts: multilateral and bilateral negotiations to open foreign markets to U.S. goods; aggressive enforcement of our laws governing unfair trade practices; and economic policy changes that will allow the dollar to reach a level that will encourage exports.

The proposed New Round of multilateral trade negotiations is our best opportunity to improve the world trading system and fight global protectionism. It remains a major U.S. trade policy objective for 1986. A preparatory committee of the GATT has been meeting since January to establish the objectives for, subject matter of, participation in and organization of a New Round. Its recommendations will be considered by a meeting of trade ministers to be held in September 1986, when we expect the round to be formally launched.

From the U.S. perspective, comprehensive negotiations are urgently needed to strengthen the trading system by:

-- expanding world trade through a reduction in barriers, particularly of the non-tariff variety;

-- improving existing trade rules in such areas as subsidies, dispute settlement, safeguards, and agriculture; and

-- extending trade rules to emerging areas of international trade, including services, intellectual property rights and investment.

By working simultaneously on the issues of the past and of the future, by addressing the interests of both developed and developing countries, negotiations should contribute to a better, more efficient, more effective and more equitable trading system.

As we prepare for serious negotiations, we will continue -- and intensify -- our consultations with the Congress, industry and labor. We are well aware of the need to build a solid constituency and aggressive negotiating agenda for the United States. We intend to accomplish that by relying on our advisory Committees for detailed, concrete advice on objectives, strategies, and tactics for the negotiations. In many cases, the Committees are already well on their way toward providing the kind of written advice we need.

Another set of trade negotiations that will help open markets to U.S. goods concerns Canada, our largest trading partner. Because Canada represents one fifth of our total exports, we are pleased to report that on September 26, Prime Minister Mulroney proposed bilateral trade negotiations on the "broadest possible package of mutually beneficial reductions in barriers to trade in goods and services." We have welcomed the Prime Minister's proposal for trade talks as consistent with the efforts of both the Administration and the Congress to open foreign markets for U.S. exporters. Therefore, on December 10, the President formally notified the Senate Committee of Finance and House Committee of Ways and Means of the Administration's interest in entering such negotiations.

I am aware that some Members are concerned about pending trade disputes with Canada, and have suggested that negotiations be delayed until those matters are resolved. I firmly believe, however, that we should not delay. With the enormous volume of trade that flows between our two countries, some differences of opinion are bound to occur. We must not permit such transitory frustrations, important though they may be, to obstruct the improvement of our long term trade relationship -- an issue, that will be of immense significance in the coming decades.

The initiation of new bilateral trade negotiations may significantly enhance our efforts to eliminate current trade frictions with Canada. And in any event, I assure you and the other Members of your Committee that the Administration will do everything possible to resolve such disputes in a reasonable and timely manner.

We have also made progress on our negotiations with Japan. A bilateral agreement with Japan, which became effective last month, eliminated tariff barriers on computer parts. The Market-Oriented Sector-Specific (MOSS) negotiations led to the reduction of some market barriers in four sectors: telecommunications, electronics, medical equipment and pharmaceuticals, and forest products. We are continuing these negotiations, as well as pushing for market access in other venues on products such as semiconductors, tobacco and aluminum.

Another key element of the President's trade strategy is aggressive enforcement of the nation's unfair trade practice laws. Last fall the President directed us to use his authority under Section 301 of the trade law to investigate and act against foreign unfair trade practices. I believe we have made significant progress in our Section 301 proceedings in recent months.

First, at the President's direction we expedited two long-standing cases and settled them favorably. On EC canned fruit, in December the EC agreed to eliminate the GATT-illegal production subsidies on canned peaches. On Japan leather and leather footwear, also in December Japan agreed to compensate us for its restrictions by reducing tariffs on numerous imports (including some aluminum products) and making permanent earlier reductions in tariffs on others. This amounts to about $236 million in compensation. In addition, because the leather and leather footwear restrictions remain, we are increasing our tariffs on imports of certain leather and leather goods from Japan, amounting to about $24 million in retaliation. While we did not achieve elimination of Japan's leather and leather footwear restrictions, we did improve our access to the Japanese market for other exports, and retaliated against their restrictions.

The President directed us last fall for the first time ever to self-initiate several Section 301 investigations as well as to expedite the EC canned fruit and Japanese leather cases. Some of our Section 301 successes were achieved simply by threatening to self-initiate a case. For example, Taiwan liberalized its cigarette, beer and wine market to avoid a 301 case. As our industries wanted, Taiwan agreed to: (1) allow U.S. cigarettes, beer and wine to be sold at all retail outlets where Taiwanese products are sold; (2) eliminate the differential retail price mark-ups for U.S. and Taiwanese products; and (3) let U.S. firms designate agents and promote their products directly to retail outlets.

Similarly, Taiwan is undertaking to apply the Customs Valuation Code fully to avoid the prospect of another self-initiated case. We had let the government know that its dilatory implementation of the Code would compel us to take appropriate measures -- i.e., section 301 proceedings.

Office of the U.S. Trade Representative
Full-Time Permanent Positions by Grade Level
FY 1985-1987

	1985	1986	1987
Executive Level I	1	1	1
Executive Level III	2	2	2
Subtotal	3	3	3
ES-6	8	8	8
ES-5	1	1	1
ES-4	2	2	2
ES-3	3	3	3
ES-2	3	3	3
ES-1	2	2	2
Subtotal	19	19	19
GS-15	29	29	29
GS-14	22	22	22
GS-13	9	9	9
GS-12	5	5	5
GS-11	3	3	3
GS-10	3	3	3
GS-9	10	10	10
GS-8	9	9	9
GS-7	10	10	10
GS-6	2	2	2
GS-5	7	7	7
GS-4	1	1	1
GS-3	0	0	0
Subtotal	108	108	108
Ungraded	6	6	6
Total, allocated permanent positions	136	136	136
Less unfilled positions, end of year	-	-	-
Total, permanent employment, end of year	136	136	136

USTR-86

Office of the U.S. Trade Representative
Summary and Description of Requirements by Object Class

(Dollar amount in thousands)

Appropriation: Salaries and Expenses

Object Class		1986 Appropriations		1987 Estimate		Inc.(+) or Dec.(-)	
		Pos.	Amount	Pos.	Amount	Pos.	Amount
11.1	Full-time Permanent Positions.........	130	5,531	130	5,500	0	-31
11.3	Positions Other Than Full-Time Permanent......... (1040s, intermittents, part-time, consultants, driver-messengers for Geneva)	6	303	6	253	0	-50
11.5	Other Personnel Compensation.. (overtime, differentials, SES awards, merit increases)		233		233		0
11.8	Special Personal Services payments.................... (reimbursable details)		890		806		-84
	Total personnel compens.	136	6,957	136	6,792	0	-424
12.1	Personnel Benefits.......... (health, retirement, insurance, allowances)		835		726		-109
21	Travel and Transportation of Persons..................... (travel, per diem, miscellaneous expenses)		1,000		874		-126
22	Transportation of Things.... (transport of household and personal effects to Geneva; U.S. storage of goods)		78		13		-65

Object Class (Continued)		1986 Appropriations	1987 Estimate	Inc.(+) or Dec.(-)
23.1	Rent - GSA (rent for office space in Washington)	514	514	0
23.2	Rent - Other (Geneva)	307	353	+46
23.3	Communications, Utilities and Miscellaneous.......... (utilities, Xerox, telephone, postage, teletype, computer time)	877	807	-70
24	Printing and Reproduction.. (Federal Register, stationery, forms, reports)	297	142	-155
25.1	Other Services............ (administrative support - Geneva, personnel and vendor contracts and office machine maintenance, transcribing and translation services, career development, language training, clearances)	1,156	1,420	+264
25.2	Representation.............	72	59	-13
26	Supplies and Materials..... (office supplies, computer expendables, supplies)	149	149	0
31	Equipment................. (office equipment D.C. and Geneva, computer hardware and software)	350	367	+17
	Total requirements.........	12,592	12,216	-376

JPG/JS/JAG/2-5-86

In addition to the expedited and threatened cases, at the President's direction we also self-initiated four investigations, on Brazil informatics, Japan cigarettes, and Korea insurance and intellectual property. We have made significant progress with the Koreans on both cases, have consulted with Brazil on informatics, and will meet with the Japanese soon on cigarettes. In each of these cases, we will seek the best result possible to benefit U.S. industry and our national economic interest.

We also continue to investigate aggressively alleged unfair trading practices brought to our attention by industry-filed petitions. For example, we are engaged in intense discussions with the Japanese on semiconductors, and last summer retaliated against the EC for its citrus tariffs that discriminate against U.S. citrus exports to the EC and its subsidies to pasta producers. We increased our own tariffs on pasta imports from the EC considerably, and still seek to expand our access to the EC citrus market.

Admittedly our job is not done. We are proud of the record we are establishing, and we will continue to use section 301 effectively to serve the national economic interest, particularly by expanding access to foreign markets for our exports.

I know that trade deficits are of great concern to you so I would like to bring you up to date on our thoughts, particularly as they relate to the third aspect of the President's trade policy, which is improving macroeconomic conditions so U.S. exports can become more competitive overseas.

Last year we recorded a deficit of $148.5 billion. Many otherwise competitive U.S. firms and workers found themselves outpriced in home and foreign markets by the high dollar. Also, the continuance of moderate to poor growth performance abroad, as well as the foreign exchange constraints in the high-debt LDCs, compounded the problems for U.S. exporters.

Pressures have understandably mounted in the trade policy area to take drastic action to reduce the trade deficit. Yet, if all unfair foreign trade practices were swept away tomorrow, the impact on our overall trade deficit would be relatively small. As greater foreign market access led to increases in U.S. exports, the dollar would tend to strengthen, and imports would tend to increase as well.

The trade deficit, as has become increasingly recognized, results from broader macroeconomic forces both here and abroad. Reducing the trade deficit is really a matter of fiscal and monetary policy adjustments both at home and abroad. The Administration has taken actions on several of these fronts to achieve a substantial reduction in the trade deficit.

On the domestic side, reduction of Federal spending and deficits is crucial. Private saving in the United States is more than adequate to finance domestic investment but cannot fund massive government deficits as well. Net foreign capital inflows, some $110 billion last year, result and drive up the dollar sufficiently to create a trade deficit of like amount. The President's budget for fiscal 1987 meets the requirements of the Gramm-Rudman-Hollings legislation for Federal deficit reduction and so makes a substantial contribution to lowering the trade deficit.

Internationally, we are working closely with other major trading countries to coordinate international action to reduce current imbalances in global trade and payments. Under the agreement reached by the G-5 countries in September, Europe is to adopt policies to stimulate domestic growth while Japan is to rely more heavily on domestic demand rather than growing trade surpluses to support economic growth. These actions would help stimulate our exports and reduce the trade deficit.

Likewise, Secretary of the Treasury James Baker's plan for dealing with the ongoing LDC debt crisis should work to ease global trade and payments imbalances. His approach would encourage the high debt LDCs to reduce their trade and other economic distortions, and adopt pro-growth domestic policies in return for increases in financial support from official lending institutions as well as private lenders and investors.

The dollar has declined substantially since February 1985 and especially September 1985. Although the initial impact of a depreciation is to worsen a trade deficit as import prices rise, I would expect the adjustment in real export and import volumes to result in some improvements in the trade balance toward the end of this year. Nevertheless, for the year overall the trade deficit may show a further modest deterioration. What will be especially important in the coming months will be to achieve the macroeconomic adjustments, including reductions in Federal spending and deficits, which will assure a sustained exchange rate adjustment correction and a substantially falling U.S. trade deficit.

Before I conclude, let me bring you up to date on a subject we discussed at some length last year. At that time, we reported to you on the planning for the implementation of the Harmonized System or HS. This system will provide a new international, integrated tariff structure to replace the current, burdensome U.S. Tariff Code. The USTR is the lead agency for implementation of the HS, now scheduled to go into effect in January 1988.

The HS is a streamlined, international product coding and description system. It will be a useful tool for more efficient handling of various types of trade traffic, tariffs, and for the collection of statistical data which will directly impact importers, traffic managers, and customs officials throughout the world. A common code and tariff language will greatly facilitate international trade by ensuring that products are classified in the same manner as they move from country to country.

Last year we emphasized that the introduction of the HS is an enormous and complex project which is labor and data intensive and we outlined a work program designed to permit implementation on January 1, 1987. Much progress has been made since that time but there has been slippage because key trading partners (i.e. the EC and Canada) were unable to keep up the ambitious pace on which our timetable was premised. Therefore, reluctantly, we have had to accept a new target date for implementation of January 1, 1988. This has necessitated adjustments in our own domestic work program. In particular, we have had to undertake a major updating of our conversion to reflect changes in the U.S. tariff since our original work was completed.

Internationally, we have completed a year of technical consultations on conversions. We are now assessing comments received from other countries on our proposed new tariff schedule and examining the effects of foreign conversions on our export interests. These assessments will be completed in March and we expect to be ready to open the formal negotiations under GATT Article XXVIII in April. Our objective is to conclude the negotiations by the end of 1986 so that congressional consideration of the implementing legislation can begin in early 1987.

As with our other initiatives, we have maintained an ongoing communication with our private sector advisors. This process will become more formalized as we move into the actual negotiations.

Mr. Chairman, at this time I would be pleased to respond to your questions and those of the Committee.

# # #

AMBASSADOR CLAYTON YEUTTER

Personal Data

Date of Birth: December 10, 1930

Birthplace: Eustis, Nebraska

Spouse: Jeanne (Vierk) Yeutter
Date of Birth: August 10, 1931

Her Background: B.S.-Home Economics
University of Nebraska (1953)

Children: Brad, Gregg, Kim, Van

Home Address and Phone Number:
632 Lakeside Drive
Hinsdale, Illinois 60521
(312)655-1059

Government Address and Phone Number:
Office of the United States Trade Representative
Executive Office of the President
600 17th Street, N.W.
Washington, D.C. 20506
(202)395-3204

Academic Data

Education

High School: Eustis High School, Eustis, Nebraska - 1948

University: University of Nebraska, Lincoln, Nebraska - B.S. 1952

University of Wisconsin, Madison, Wisconsin - One semester of graduate work in agricultural economics - 1960

University of Nebraska, Lincoln, Nebraska - J.D. 1963 (Law)

University of Nebraska, Lincoln - Ph.D. 1966 (Ag Economics)

Scholastic Record

B.S.	"With High Distinction" - Highest scholastic honor given by the University of Nebraska. Ranked first in College of Agriculture graduating class. Named by the Block & Bridle Club as outstanding animal husbandry graduate in the United States.
J.D.	"Cum Laude" - Ranked first in graduating class. Named outstanding law graduate in Midwest by Phi Delta Phi legal fraternity. Editor, Nebraska Law Review.
Ph.D.	Named outstanding graduate student in ag economics. Above an "A" average for entire graduate program.

Professional and Fraternal Societies

Agriculture: Alpha Zeta (scholastic) - Chancellor of local chapter as an undergraduate

Gamma Sigma Delta (scholastic)

FarmHouse (social) - President of local chapter as an undergraduate

Law: Nebraska Bar Association

Order of the Coif (scholastic)

Phi Delta Phi (social and professional)

Employment History

July 1985 - present: U.S. Trade Representative, Executive Office of the President. This is a Cabinet post, reporting directly to the President of the United States on all trade matters. The primary responsibility of this position is to develop an overall trade policy for the Nation, and then coordinate the development of a U.S. position on all individual trade issues of importance to our country. The U.S. Trade Representative is also responsible for the strategy and tactics that are followed in the conduct of both bilateral and multilateral trade negotiations.

July 1978 - June 1985: President and Chief Executive Officer, Chicago Mercantile Exchange, the world's second largest futures market. The CME conducts futures trading in (1) all the major international currencies, (2) interest rate contracts for Treasury bills, bank certificates of deposit, and Eurodollars, (3) stock indices, such as the S&P 500, and (4) agricultural contracts, such as fat cattle, feeder cattle, and hogs. The Exchange also offers options trading in several of these products. It has been the fastest growing futures exchange in the world in recent years, and probably has a larger dollar turnover (many billions each day) than any other private sector entity in the world.

April 1977 - June 1978: Senior partner of the law firm Nelson, Harding, Yeutter & Leonard in Lincoln, Nebraska. The firm had additional offices in several other cities. Responsible for the firm's agriculturally related practice, and for coordinating all elements of the practice where Washington, D.C. or international interests were involved.

June 1975 - February 1977: Deputy Special Trade Representative, Executive Office of the President. This was an Ambassadorial post with responsibility for conducting trade negotiations on behalf of the President and the U.S. Government. It involved contacts and negotiations with representatives of many foreign governments, as well as coordination of U.S. policy positions with other Federal departments, the Congress, and numerous private sector advisory committees.

March 1974 - June 1975: Assistant Secretary of Agriculture for International Affairs and Commodity Programs. Responsible for all activities of the U.S. Department of Agriculture in the following agencies: Agricultural Stabilization & Conservation Service; Foreign Agricultural Service; Federal Crop Insurance Corporation; Commodity Credit Corporation.

January 1973 - March 1974 Assistant Secretary of Agriculture for Marketing and Consumer Services. Responsible for essentially all regulatory and domestic market service functions in the U.S. Department of Agriculture. Agencies included: Animal & Plant Health Inspection Service; Agricultural Marketing Service; Commodity Exchange Authority; Food & Nutrition Service; Packers & Stockyards Administration.

January 1972 - December 1972: Regional Director, Committee for the Reelection of the President. Responsible for all facets of the President's campaign in seven midwestern states. Also served as Director for Agriculture with responsibility for the agricultural portion of the campaign in all 50 states.

October 1970 - December 1971: Administrator, Consumer & Marketing Service, U.S. Department of Agriculture. Responsible for such programs as meat and poultry inspection, the grading of agricultural products, development of product standards, market news, the administration of market orders, procurement of food for commodity distribition, school lunch programs, etc.

September 1968 - October 1970: Director, University of Nebraska Mission in Colombia. The largest agricultural technical assistance program in the world at that time. Involved the participation of six midwestern land grant universities, with funding by AID, the Kellogg Foundation, and the Ford Foundation. Assistance was provided at the graduate and undergraduate level in teaching, research, and extension in all major agricultural fields. Recipient agencies were the Colombian Agricultural Institute (which somewhat approximates USDA) and the National University.

January 1966 - September 1968: Executive Assistant to the Governor of Nebraska. Responsible for coordination between the Governor and numerous agencies of state government - including the Department of Agriculture and all state educational institutions. Handled all legislative liaison work, including drafting of legislation to broaden the state tax base and to provide for state aid to education. Other major legislation enacted included: creation of a state department of economic development, establishment of a minimum wage, merger of the University of Nebraska and the University of Omaha, establishment of a state telecommunications commission, etc.

January 1960 - January 1966 Faculty member, Department of Agricultural Economics, University of Nebraska. Combination teaching, research and extension responsibilities in agricultural economics and agricultural law. Major professional area was resource economics, i.e., land and water. Taught only part time while completing requirements for the Ph.D. and J.D. degrees. Served full time in 1965 and 1966.

1957 - 1975: Operator of a 2,500 acre farming-ranching-cattle feeding enterprise in central Nebraska. This unit is now operated by a tenant on a cash lease basis.

1952 - 1957: United States Air Force. Enlisted as a Basic Airman upon graduation from the University of Nebraska. Later received a direct commission in Medical Administration. Ranked first in graduating class in Basic Course in Medical Administration, Gunter AFB, Alabama. Recipient of numerous military awards. Continued in the active reserve until 1977. Presently a Lt. Colonel in the inactive reserve.

1963 - 1968: To the extent permitted by time and other obligations, active in the practice of law in Lincoln, Nebraska.

Boards and Trusteeships

Former Member, The President's Export Council, Washington, D.C.
Former Chairman, Board of Directors, Chicago Association of Commerce and Industry, Chicago, Illinois (the nation's largest Chamber of Commerce)
Former Member, Board of Directors; Chairman, Economic Forecasting Committee, ConAgra, Inc., Omaha, Nebraska
Former Member, Board of Directors, The Chicago-Tokyo Bank, Chicago, Illinois
Former Member, Board of Directors, Swiss Commodity Industry Association, Zurich, Switzerland
Former Vice Chairman, Board of Trustees, International Agricultural Development Service, Arlington, Virginia (now part of Winrock, Inc., Morrilton, Arkansas)
Former Member, Board of Directors; Member, Executive Committee; U.S. Meat Export Federation, Denver, Colorado
Former Member, Board of Trustees, Garrett-Evangelical Theological Seminary, Evanston, Illinois
Former Member, Board of Directors, Chicago Council on Foreign Relations, Chicago, Illinois
Former Member, Board of Visitors, School of Business Administration, Georgetown University
Former Member, Board of Directors, Business-Industry Political Action Committee, Washington, D.C.
Former Member, Board of Trustees; Member, Executive Committee, Farm Foundation, Oak Brook, Illinois
Former Chairman, Agricultural Round Table, Oak Brook, Illinois
Former Member, Board of Directors, Japan-America Society of Chicago (Illinois)
Former Member, Board of Directors, Tri-Valley Growers (fruit and vegetable processing), San Francisco, California

Other Significant Activities

Chairman, Agricultural Development Task Force to Peru, appointed by President Reagan in response to U.S. commitments made at Third World Summit in 1981
Chairman, Transition Task Force on Agricultural Policy, Reagan Administration
First American businessman invited to Japan (in 1982) under Japanese Government program to improve trade relationships with the United States

Recipient of the Israel Prime Minister's Medal for long-time friendship to Israel and support for its economic development
Recipient of American Society of Agricultural Consultants '1978 Distinguished Service Award"
Recipient of Knights of Ak-Sar-Ben "1978 Agricultural Achievement Award"
Recipient of FarmHouse "Master Builder of Men" Award, the highest honor granted an alumnus of that fraternity
Recipient of Purdue University's (Lafayette, Ind.) "Old Masters" Award, and the University of Nebraska's comparable "Masters" Award
Recipient of Chicago Farmers "Distinguished Service to Agriculture" Award
Member, Nebraska Hall of Agricultural Achievement

Ambassador Yeutter. Thank you, Mr. Chairman. It is nice to be back to testify before you again. We have done this on many occasions in the past and in our other incarnations I guess, but it is good to be back.

We are such a small budget, Mr. Chairman, it is probably hardly worth your attention.

Mr. Smith. Nothing is too small these days.

Ambassador Yeutter. As you point out, it may be getting slightly smaller in light of the constraints of Gramm-Rudman-Hollings. I think you have the numbers before you. I will, incidentally, just quickly summarize my statement. Then we can go to quetions. With me here today is John Giacomini, who is our administrative chief. Mr. Giacomini can handle any specific questions on the numbers.

For fiscal year 1986, as you can see, we have accommodated the 4.3 percent Gramm-Rudman-Hollings reduction, which takes us down to the fiscal year 1986 budget of about $12.59 million, and then comparable adjustments in fiscal year 1987 would take us down to about $12.2 million. That will not be easy for us, because as you very well know, with a $148.5 billion trade deficit we have a lot of issues on the front burner, and a great many challenges in front of us that we have to handle skillfully and adroitly, but we believe we can do it.

We are working people a lot of hours, and that certainly makes it necessary to keep them properly motivated and also properly rewarded, at least psychically, if we can't reward them financially, and so we are, of course, trying to do that.

I should add, Mr. Chairman, we will have a couple of additional responsibilities that will be before us in the relatively near future, if everything stays on schedule. These will be time-demanding as well. We have communicated this consistently to the Office of Management and Budget, and they recognize that somehow we are going to have to provide some additional human resources for these tasks either by details from other operations within government, or some reallocation of slots within the government, so that we can service these needs.

One will be, of course, the new round of GATT negotiations which hopefully will start next September. The plan is to have a ministerial level meeting somewhere around the world at that time, which would launch the new negotiations comparable to the Tokyo Round that we went through in the mid 1970s. Although we don't see a need to put a delegation in Geneva, Switzerland, as large as the one we had for the Tokyo Round, simply because this round will have a different focus and we would anticipate operating with a smaller delegation than we did a decade ago, it still is going to take a substantial contribution of manpower to that task. It will be a very substantial round of negotiations, and that is going to be a lot of work for the United States Government as a whole.

The other one, of course, is the U.S.-Canada bilateral trade agreement. As you probably know, Mr. Chairman, the President sent a message to Congress in December starting the process going for initiation of what we call a free trade bilateral agreement with the government of Canada, the intent being to open up borders as much as we possibly can between Canada and the United States on trade issues of all kinds. That too will be a massive task. It will be by far the largest bilateral negotiation ever conducted in the history of the world, because we are two very major trading nations.

The 60 days of congressional consideration, 60 working days, will expire probably in May or June, which means that we would hope to have these negotiations underway by early summer, and they will clearly require some manpower, too, on our part to conduct them.

Aside from that—and those are two totally new functions over and above anything that is being performed within the USTR right now—we have gone to a much more aggressive trade policy generally, which includes such things as the self-initiation of Section 301 actions against the unfair trade practices of other nations. This is the first time the U.S. Government has done that. Some of these actions were announced by the President back in September, and they certainly require a commitment of time, efffort and energy as well.

We have been handling those Section 301 actions very effectively thus far, in my judgment. We settled an agricultural issue with the European Community in early December. This was a canned fruit case that had been around for years. We settled another one, important to the U.S. cattle industry and pork industry, on leather in early December, which was a very significant negotiation. We have some others pending. We have two of them with Korea pending at the moment that are being negotiated, another one with Japan pending on tobacco and another one with Brazil on informatics, which is kind of a computer equipment.

We will probably be launching some additional 301 unfair trade practice actions in the next few weeks. They certainly are going to take another commitment of time, energy and effort. We think that is very important. All of these actions are extremely important, but clearly they are demanding on our staff time at the USTR.

I am not suggesting we can't do all of these things within limits of our resources, because we intend to do them, and do them well, within the limits of the resources but it is going to be a very difficult task. We are going to be extremely busy people over the next several years.

We also just finished a massive steel negotiation with the European Community. By and large, the steel arrangements are now complete so that will reduce our negotiating load somewhat, thank goodness. That will ease things off a bit, and we have also had some other negotiations that have been coming to a close, the so-called MOSS negotiations with Japan where the USTR played a significant role. The first section of those negotiations is now essentially at a conclusion.

There will be some others added but the negotiation there has probably been a little bit less than it has been in the past. One which I think will be an additional burden is the multifiber negotiations, so-called MFA, on textiles and apparel. We are in the process of renegotiating the MFA now. That has a deadline date of July 31 because that is the expiration date at present, so we will have a significant negotiating effort on that between now and the first of

August. Also a whole host of bilaterals with a group of textile and apparel exporting countries to the United States that will have to be done in calendar year 1986 and on into 1987.

So it is a busy time. We are working people very hard, but that is life and we are prepared to do that.

Mr. SMITH. How are you going to do this with 4.3 percent less than we gave you?

Ambassador YEUTTER. It is not going to be easy, Mr. Chairman. We have done some restructuring within USTR. We did that as I came on board on July 1. I think we have achieved some additional efficiencies by doing some restructuring and reassigning of responsibilities that will hopefully be a more efficient way than was——

Mr. SMITH. Will you have to have any RIFs?

Ambassador YEUTTER (continuing). Than was present in the past. No, we will not.

Mr. SMITH. It sounds like we gave you too much money.

Ambassador YEUTTER. No, I don't think anybody would come to that conclusion, Mr. Chairman.

Mr. SMITH. How can you do all these things with 4.3 percent less money if you are going to do everything you were going to do anyway?

Ambassador YEUTTER. We are going to work them 18 hours a day instead of 16, I guess, Mr. Chairman.

Mr. SMITH. What is going to happen to the trade deficit next year?

Ambassador YEUTTER. My judgment, Mr. Chairman, is that we are coming close to bottoming out. The economic fundamentals are all looking a lot better now, as you know. The dollar has dropped 25 to 30 percent against all the major currencies.

Mr. SMITH. How much of a trade deficit?

Ambassador YEUTTER. Not much yet. In my judgment——

Mr. SMITH. Will it be of benefit this year?

Ambassador YEUTTER. Yes, we will get some benefit from that, but not until later in the year. Because of what economists call the judgment curve effect, it will probably get worse before it gets better even though the fundamentals are getting better. In other words, it won't show up in the numbers right away. As a matter of fact, the numbers may get a little worse in the first half of the year even though the situation is beginning to turn around, so we really don't expect an improvement in the numbers until the second half of the year.

In my additional judgment, Mr. Chairman, we will not get a significant improvement in the numbers until and unless the dollar drops some more. If you look at the agricultural scene, the enormous amount of competition around the world, it is going to take an additional fall of the dollar to improve our agricultural export picture very much, and the same thing is true with a lot of industrial goods, and it is also true in terms of imported products coming into the United States.

There have been huge profit margins on a lot of imports coming into the U.S. So what happens when the dollar falls is that those companies that are selling here in our markets simply narrow their profit margins and the dollar has to fall far enough so those profit margins disappear and they are required to raise their prices.

Mr. SMITH. Will the lower prices for our commodities—which will surely happen with this new farm bill, and that is one of the reasons the administration supported this approach—reduce the deficit or just increase the volume of exports?

Ambassador YEUTTER. Only time will provide that answer, Mr. Chairman, as you well know, because it depends a lot on what our trading partners do. As you know, we are facing export subsidies from the European Economic Community, and if the lowered price levels in the United States are simply accompanied by the expenditure of an additional X billions of dollars in export subsidies by the European Community it is going to be difficult for us to expand market share, so we are clearly heading toward a significant confrontation with the community. The outcome of that confrontation will provide the determination to your question.

Mr. SMITH. But your community is the whole world?

Ambassador YEUTTER. No, but there is a very significant factor now in that agricultural exporting scene, because as you know, they have gone from a major importer of agricultural products to a major exporter or, perhaps more accurately said, a major dumper of surplus commodities on the world market. What we are finding now is that it is extremely difficult for the U.S. to expand market share when other people are dumping, and that is basically what the community is doing.

Mr. SMITH. Of course, a third of the world's exports are Brazilian soybeans.

Yes, Brazilian competition will stay. Brazilian competition is off this year, so we will have a decline in the size of that crop, but in the long pull Brazil is inevitably going to be a very strong competitor of soybeans and soybean products.

Mr. SMITH. How much difference does a $10 drop in the price of a barrel of oil make in our trade deficit?

Ambassador YEUTTER. I would like to verify this for the record, but as I recall, it is something in the vicinity of $20 to $30 billion, so it will be significant. But on a $148.5 billion deficit, that will still give us a long way to go.

Mr. SMITH. How fast does that show up?

Ambassador YEUTTER. That should show up quite rapidly, because those prices, at least short term future prices and spot market prices, are dropping everywhere quickly, and the benefits in that, of course, will be pervasive throughout the economy, including in the agricultural sector and in the industrial sector. Any place that has industries that have energy as a major input cost are going to benefit, and benefit very quickly, because that decline in price is already being reflected even at the gas pumps in some cases.

Mr. SMITH. Shouldn't the trade deficit then decline rather markedly in the next year?

Ambassador YEUTTER. Well, it will be helped by that, and that is certainly a major positive, and that will show up in the numbers relatively soon. It will be hurt by the offsetting judgment curve effect that I talked about earlier, and right now I would say the judgment curve effect will probably, at least in the short run, clearly neutralize the benefits of the oil price decline.

Mr. SMITH. That drop in the dollar started way last spring?

Ambassador YEUTTER. Yes, but it really didn't make a major decline until after the so-called G-5 meeting in New York in September, so most of the decline has happened since September. It takes a long while for that to work through the system, and as I said, we are just now beginning to see some changes appear in pricing of imports coming into the United States.

Mr. SMITH. Mr. Dwyer.

Mr. DWYER. Thank you, Mr. Chairman.

You say the dollar has to drop some more. How much more?

Ambassador YEUTTER. My personal judgment, Mr. Dwyer, is that it ought to come down another 10 percent at least to make a major shift in the trade balance. In other words, if we are going to take that $148.5 billion down to a third or a half of what it is, it is going to take an additional decline, probably of at least 10 percent.

Mr. DWYER. It seems to have stabilized in the last couple of months.

Ambassador YEUTTER. Well, it has come down recently against the yen. It has begun to stabilize against the Deutsche mark and some of the other currencies, and some people are concerned, as you perhaps can tell from reading your papers recently, that the dollar may be falling too rapidly against the yen, and in fact the government of Japan has begun to take some actions to keep it from falling too rapidly.

I would certainly not want a precipitious decline in the dollar because that puts lots of strains on the international trading system. At the same time, it seems imperative to me that if the dollar were to level off at exchange rates that prevail presently, we would not significantly alter the trade flows, and to me that would be unfortunate in that we would be forcing ourselves to live with a huge trade deficit for a long time to come.

Let me add just one additional point there, Mr. Dwyer, that is important in this context, and that is that the government of Japan has just launched a loan program that disturbs us in this respect, to its small and medium exporters, because they are beginning to feel the pinch of the decline in the value of the dollar. What concerns us about that is that, one, it is probably GATT-illegal, and it is illegal under Japan's international trade obligations, but second because it begins to neutralize the value in the decline of the dollar, which means that the government of Japan is indicating that it would like to have the yen level off at about its present relationship to the dollar. If it does, that will preserve for a longtime, a very large trade deficit between Japan and the United States. So we are disturbed by that loan program, which incidentally is a size larger than our own Exim program.

Mr. DWYER. How do you intend to address this?

Ambassador YEUTTER. We are going to take some actions that will be announced just in the next few days, and I would rather not preempt those announcements today.

Mr. DWYER. Do you think you have an aggressive and dynamic plan to address this problem?

Ambassador YEUTTER. Yes.

Mr. **Dwyer**. Do you think we should intervene with the dollar depressed 10 percent at this time?

Ambassador **Yeutter**. My judgment is that we are not going to be able to do that through intervention. Intervention is of benefit in the exchange markets only on a short-term transitory basis. Intervention will not overwhelm the underlying economic fundamentals in the longer pull, so to get that additional 10 or 15 percent decline in the value of the dollar we are probably going to have to make sure that we do the right things in terms of macroeconomic policies.

Mr. **Dwyer**. Going back to the dollar in relation to the yen and the fact that whatever we might do and have done the Japanese will make a countermove. Historically they are willing to talk about this and argue and debate it, but in the meantime continue to sell goods to the American public. Aren't you proposing some plan that might really negate this, combat it?

Ambassador **Yeutter**. Well, certainly we want to confront this loan program as an individual issue immediately, because that is troublesome to us. But we have to also confront all the other aspects of the U.S.-Japan bilateral relationship, you know, in a whole variety of ways. We can spend an hour on that, Mr. Dwyer.

But, yes, we are involved in a lot of things with the Japanese in this respect, and we are telling them that changes have to be made, because we consider the present imbalance to be intolerable.

Mr. **Dwyer**. The problem is that if you have read the transcript of these meetings over the past five years the testimony, quite honestly, is practically the same. You intend to do something, we are going to jawbone with them, we are going to do this, but we keep on losing ground.

Ambassador **Yeutter**. Well, fortunately, a lot of good things have been happening in the last few months, including the dollar coming down about 30 percent vis-a-vis the yen, so we have come a long way. Having it down 30 percent is a lot better than having it where it was a year ago at this time, or 30 percent higher, so we have made a lot of progress.

All I am really saying is that we need to make a bit more, because what we have really done is offset most of the value to Japan of an inordinately strong dollar. In other words, the dollar is down now to where it is beginning to pinch the Japanese exporters. I just want it to pinch some more.

Mr. **Dwyer**. Will it pinch more or will the Japanese take action to decrease the pinch as they have and will continue to do that?

Ambassador **Yeutter**. We will have to counter that action.

Mr. **Dwyer**. I hope next year we are not back talking about what we are going to do next year.

Ambassador **Yeutter**. That is a legitimate request, Mr. Dwyer. We will know a year from now.

Mr. **Dwyer**. I am afraid so.

One more thing, counterfeiting.

Ambassador **Yeutter**. Yes.

Mr. **Dwyer**. In the justification pages you make mention, apparently as a broad statement there, about making some progress on counterfeit goods coming into this country. Do you really think you will have an impact in that area, or are you about to have an impact in that area? I just see five-dollar wrist watches all over the sidewalks of Manhattan.

Ambassador **Yeutter**. It is a major issue, Mr. Dwyer, and a high priority for us on trade policy. It is an issue that is completely new, since my days in government before, and I am just astounded at what has happened just in the last decade on this question. We are actively involved in dealing with that question on a number of fronts.

One will be legislative, and we will have some proposals to share with the Congress on that subject very, very soon. We have been working on the legislative aspects of that.

The second one is the new GATT round, and we are going to do everything in our power to have what we call intellectual issues become a new issue in the new GATT rounds to start next September. The other one is bilateral negotiations. As you probably know, we have an intellectual property, Section 301 case, pending with Korea that is being negotiated right at the moment.

We have major discussions going on with Taiwan on that subject now, and some in other countries as well. In fact, Ambassador Smith, who is my deputy at the USTR, is on his way to the Far East this morning, and these issues are on his agenda in the next two weeks, where most of the violations are taking place.

Mr. **Dwyer**. The new GATT round, China wants to become a member of GATT. What is your position on that?

Ambassador **Yeutter**. Our position is that we will evaluate that proposal in light of what China is prepared to commit to do as the price of entry. We do not yet know what China is prepared to do in the way of opening up markets, assuring market access, adjusting some of its present trade policies, and so on. We will evaluate it in that light. Conceptually, we are favorably disposed towards having China as a member of the GATT, but we recognize, Mr. Dwyer, that that is going to cause a lot of difficulties for everybody in the world, simply because it is a nonmarket economy. We have a few nonmarket economies who are already members of the GATT but they are Eastern European countries who are relatively small participants in world trade.

China is a potentially very large participant in world trade. If it does become a member of the GATT, that will provide some challenges for us and for the GATT that just have not prevailed to date. It will really call into question the applicability of the entire set of GATT rules to nonmarket economy countries.

In other words, will existing GATT rules really serve the purpose of providing international trading discipline on a country like China. If not, then we are going to have to look at changes to the rules or perhaps another entire set of rules for handling the trade practices of nonmarket economies. It is a very intricate and challenging question.

Mr. **Dwyer**. Thank you, and good luck.

Ambassador **Yeutter**. Thank you.

Mr. **Smith**. Mr. Regula.

Mr. **Regula**. Thank you, Mr. Chairman.

I appreciate your being here, Mr. Ambassador. I would like to reserve, Mr. Chairman, some questions to be submitted for the record.

First of all, do you think that low wage rates should be considered in any way at all in determining unfair practices?

Ambassador YEUTTER. My personal judgment, Mr. Regula, is that that would be extremely difficult to fit into the concept of unfair trade practices, that is to put ourselves in a position where we would in any way attempt to dictate wage scales in other nations. I realize the issue is more complex than that, and I have indicated to some of our friends in the labor union movement, Mr. Regula, that I am prepared to sit down and seminar on this issue with them to see whether there is anything in the way of trade policy that is feasible and that might make sense for further consideration.

So I am open-minded on the issue, because I know it is troublesome to our labor union movement in particular, and obviously it has an impact on our international competitiveness. But I would have to be persuaded that there is anything that we could feasibly achieve in that area beyond the rules that exist to date.

Mr. REGULA. I would suspect that we are getting things produced with child labor and sweatshop practices.

Ambassador YEUTTER. That may well be. If we can generate persuasive evidence on that score, it seems to me that is a legitimate issue for us to raise with our trading partners.

Mr. REGULA. I would be interested in your reaction to the Post article on Sunday of foreigners hiring Reagan's ex-aides, including some of yours, to lobby on behalf of importers. Do you see any problem with this type of practice?

Ambassador YEUTTER. No, I really do not, Mr. Regula, as long as they conduct themselves in the appropriate way, and I would expect that they would do that. I am a believer in the benefits of a revolving door. I have been a practitioner of a revolving door, because I have gone in and out of government a couple of times myself. From having gone through that experience, my judgment is that people are more effective in the private sector for having had some experience in government, and vice versa.

I certainly felt that I was a more effective chief executive officer of the Chicago Mercantile Exchange, from having served a stint in government during the 1970s, and I hope I will be a more effective public servant now, from having served a stint as the chief executive officer of a major company.

It seems to me as long as we have a democratic process, that there will always be people that will be articulating the viewpoints of those who wish to be represented, and certainly it is appropriate for foreign governments to have representation here in Washington, and make their viewpoint known, both to the Congress and to the executive branch. It is likewise appropriate for American business to express its viewpoint internationally.

Mr. REGULA. Do you think this policy, from your knowledge at least, that happens in other countries, do you think that Japanese government officials go out in the private sector and work for American countries to push imports of American goods to any significant degree?

Ambassador YEUTTER. Well, in most countries, Mr. Regula, people stay in government as a career, and most countries do not have the revolving door that we have. I have had a lot of people in those countries who have told me that they think that is a shortcoming in their own systems and that is a strength of the American system.

Mr. REGULA. I don't believe so.

Ambassador YEUTTER. That is debatable, Mr Regula. I have no problem with that at all. Our American companies do have representation in Tokyo and they do attempt to influence Japanese government policy as it affects American business, and in my judgment that is perfectly appropriate. It seems to me that you and I have a responsibility as public servants to evaluate that advice in an effective way, but so long as we do so, I certainly have no objection to anyone making an argument either on behalf of American business or foreign business firms.

Mr. REGULA. Your budget justification submission mentions the development of a trade policy analysis to integrate America's trade directions. What changes do you think are necessary to better consolidate, structure and harmonize American trade policies, and how can the Congress or more precisely, this Subcommittee, help in this process?

Ambassador YEUTTER. In my opinion, Mr. Regula, we do not need any additional legislation to enhance coordination of trade policies. I really believe we are doing that very well now. That may or may not have been the case a year or two ago.

I cannot evaluate that, because I was not here, but what we call the Economic Policy Council modus operandi at the moment is working very well, and has certainly worked well during my entire tenure, which began last July 1, so I find no fault with the existing system at all.

Mr. REGULA. When do you anticipate that this policy analysis will be available, or is it ongoing?

Ambassador YEUTTER. It is done in the sense that that is really the work product that emerged in the President's trade policy speeches last September, and in what we call a White Paper that was issued at the time of the President's speech back in September, so that really laid out the overall trade policy, and that was a massive reassessment of what we have been doing earlier that was done with great concentration shortly after I arrived.

Mr. REGULA. In the Wall Street Journal of October 23 of last year, there is an article captioned "Japanese Crash Import Program Falters, Unlikely to Narrow U.S. Trade Imbalance." Then they point out the fact here that all we get is talk, promises, promises.

I sent this to the Timken Company, which is home based in the 10th District and a company that has gambled $500 billion on building probably the most modern steel mill in the world today, in an attempt to compete, if you will, in the specialty steel.

I want to give you both the article in the Wall Street Journal and the Timken response, but the thrust of it is that they have made a sustained effort to market in Japan without much success, because by virtue of, and this doesn't say this but cartel arrangements, they simply keep dropping their price there to a point that they cannot compete in the market.

It is the old story. Lots of talk and no action, and likewise they developed, and this is all in the letter, a design for Mazda transmissions, quoted on it. The Japanese came in with a smaller, lesser amount. Mazda, because Timken had done a lot of technical work, said we are going to give you a chance to rebid. They did and immediately Mazda dropped their price again, so what you have here is very clearly the price is going to be whatever it takes, because they have a cartel protection in their domestic market.

These are extremely unfair practices, and yet nothing is done about it.

It seems to me if we are going to talk about any kind of a trade policy, we have to address this problem, because here is a company that has invested about two/thirds of their net worth in a gamble on doing what the President has talked about, building modern facilities. Their labor costs per ton will be reduced 66 percent. They have the fact that utility costs are less in the United States. They have the state of the art and technology, but you cannot compete with unfair practices condoned by government, and I would be interested in what you would anticipate doing about that type of thing.

I might add as a footnote, Nissan and Honda like to brag about the fact that they have plants in the United States, but everything I can find out is that all those are are assembly plants. The transmissions, the labor-intensive components, are shipped in from Japan, so what we are getting is a cosmetic program of appearing to produce in the American market, but in reality the labor component is largely Japanese, and I guess it is just part of a pattern of "talk and ship." They talk a lot but they keep on shipping, and they have had historically the Administration attitude of see no evil, hear no evil, speak no evil, about some of these unfair practices, and I would be interested if the USTR is going to try to address this kind of thing?

Ambassador YEUTTER. I am not familiar with the specific issue of the Timken plant, Mr. Regula, but I will be glad to evaluate it and come back to you.

With respect to Japanese automobile operations here in the United States, we can also provide you some indication of what the levels of employment are in those plants and other Japanese investments in the U.S.

Mr. REGULA. But I would be interested if you could, if you will excuse my interrupting, that in that component would you try if possible to break down the number of man hours in a Honda produced in Marysville or Nissan in Tennessee, the number of U.S. man hours and Japanese man hours that go into that.

They probably won't give them to you, but I think that would be the most interesting thing, because it seems to me that the trade imbalance is more serious than the dollars indicate, for the reason that they are shipping labor-intensive products to us, and we are shipping soybeans and logs and the type of thing that is not labor-intensive, so I think if you could actually put the trade imbalance and the man hours, the scale would be substantially worse than even the dollars reflect.

I would be interested if you can give me the component breakdown of man hours in a vehicle produced in the United States as a part of that.

Ambassador YEUTTER. We will do the best we can on that, Mr. Regula, and see what we can determine. As you say, the companies may or may not be willing to share that with us, but we will find that out.

In terms of entry to the Japanese market, clearly we are putting a lot of pressure on Japan on that issue now, a lot more than they have ever had.

They are somewhat sensitive to that, but they recognize from everything that we are doing that this is a full court press on opening their markets.

Mr. **Regula**. As a component of that, do you get into tax policy, because obviously their tax structure is weighted to production and not to consumption.

Ambassador **Yeutter**. Yes.

Mr. **Regula**. And we are not going to get real results in penetrating that market until they make it more attractive to their own people, to buy more consumer goods. The Japanese policy is the antithesis of the U.S. on that score.

Ambassador **Yeutter**. Both Secretary Baker and I have raised that issue with our counterparts in Japan, and with Prime Minister Nakasone on a number of occasions. We will continue to do so. It is coming up, the issue will arise, in at least two or three contexts in the very near future once again.

One will be Prime Minister Nakasone's forthcoming visit to the United States, which is now probably going to happen in April, and a second and a more recent one will be a panel recommendation that will emerge in Japan during the month of March. Prime Minister Nakasone, as you may know, named what I would call a wiseman's group perhaps or what we might call a Blue Ribbon Panel to evaluate structural adjustment issues in Japan, which would encompass topics like that.

That group is to report to the Prime Minister some time during the month of March, so I am hopeful some of these kinds of recommendations will emerge internally, as their own idea, rather than our idea, but we will see.

We clearly are articulating to the Government of Japan the importance of that particular report, and how it will be carefully scrutinized here in the United States.

Mr. **Regula**. One last question, Mr. Chairman.

Mr. Ambassador, when do you anticipate that you will meet the target of 18.5 percent market penetration in steel as was envisioned when the VRA system was established?

Ambassador **Yeutter**. All of those arrangements are now in place, as you know. We believe that we have covered essentially all unfair trading practices on steel internationally, and we are hopeful that will bring the number down to the 18.5 level.

At the same time, we have got to recognize that if some of the countries that are not engaging in unfair trade practices expand their sales into the United States, as near as we can determine, that will make it increasingly difficult to reach the 18.5 level. We don't know what their export practices will be, but this Administration would find it very difficult to in any way attack export sales by countries that are clearly penetrating this market through the basis of their own economic efficiencies.

Mr. **Regula**. Do you have any problem, any evidence, that they are going through the Third World or third country transactions to avoid the quota, and secondly is the substitution on products?

Ambassador **Yeutter**. That is inevitably going to be an issue in an arrangement like this, Mr. Regula, because there is great temptation to cheat when lots of money is involved, and so that will require constant surveillance on the part of our Customs people. All I can say to that, since that is a program not under my jurisdiction, is that I am sure that Jim Baker is committed to try to avoid that if at all possible.

Mr. **Regula**. Thank you, Mr. Chairman.

Mr. **Smith**. We hear a lot about the unfair trade practices, and the President announced last September he is going to more vigorously enforce the law.

Then I see this national advertising campaign for Chrysler wanting people to know that the car is made in Japan. A market study shows if it says "Made in Japan" it sells more than "Made in the USA".

Ambassador **Yeutter**. That is obviously a challenge for American business. Unfortunately from the American standpoint, Japanese products, many Japanese products now have a reputation of outstanding quality, and the American consumer places a higher value in terms of their quality analysis, on products coming from Japan than they do on products made in the U.S.

American manufacturers will simply have to counter that by insuring that their quality standards are comparable to those of their Japanese counterparts. American consumers are intelligent, as you know, Mr. Smith, and they can make that quality determination, and we, the United States, have been losing some of those battles competitively to Japanese firms.

Mr. **Smith**. The difficulty is that the American consumers just gradually acquire an opinion, and I think it took a long time to acquire this opinion, and many of them have it now that foreign cars are better made than American cars.

Ambassador **Yeutter**. Yes.

Mr. **Smith**. I am afraid it is going to take a long time—actually American cars are much better than they were three years ago.

Ambassador **Yeutter**. Unquestionably, and in fact many people feel that they are of comparable quality today.

Mr. **Smith**. They have been forced into it but the fact is that it is there.

Ambassador **Yeutter**. That is correct. In some instances it is even of higher quality, but you are correct that consumer opinions change slowly, and it will take a period of time before that is well understood.

Mr. **Smith**. I noticed that when we tried to put some sanctions on Libya and others didn't go along, it illustrated once again the importance of trade and countries trading with another country. At least, what they are receiving is something they have in short supply, and what they are selling is something they have in surplus supply. They have a tendency to overlook other things. It makes me wonder if we are doing the right thing in Geneva. Shouldn't we be pushing trade with Russia as a higher priority item, a more visible item, than we are?

Ambassador YEUTTER. I would like to see it become a more visible item, Mr. Chairman, and I hope it will be in time. The concentration at the moment, of course, is on nuclear armaments and the possibility of making some progress in that very delicate area, where people are concerned about the survival of mankind, and that is understandable.

Obviously there are already negotiations under way in the disarmament arena, but we clearly should not in any way downplay those, but it is important.

Mr. SMITH. Are you being called into those negotiations sufficiently?

Ambassador YEUTTER. Not at all on the armament part, of course, because that is not our function.

Mr. SMITH. No, on the trade policies.

Ambassador YEUTTER. Oh, yes, and hopefully we are moving closer to a period of some accommodation in that regard, and the possibility for a significant expansion once again.

Mr. SMITH. This is just one more illustration of how people in trade have a tendency to find ways of overcoming their other problems. It might be easier to negotiate arms control if we had more trade.

Ambassador YEUTTER. Yes. I will digress to share a comment that an old friend of ours, Cliff Hardin, made some years ago, in the context of U.S.-Soviet discussions. That was when Cliff Hardin was Secretary of Agriculture and I remember him saying, "I wonder if the Japanese would have attacked Pearl Harbor had we been trading with them as much in the 1930s as we were trading with them in the 1970s".

Mr. SMITH. Now in the new GATT negotiations, is agriculture going to be the center of it or on the periphery like it was?

Ambassador YEUTTER. Mr. Chairman, it has been on the periphery in every round of GATT negotiations to date, and we need to change that. We certainly intend to do that.

As you well know, that is my background, and that may have some effect on the outcome this time, but we have really, we, the United States, have been singularly unsuccessful in achieving significant discipline on trade of agricultural products over the last forty years.

All the GATT rounds over the past four decades have essentially ignored the issue of agricultural trade. I am more optimistic about doing something now, Mr. Chairman, than I have been ever before, simply because agriculture is in such dire straits everywhere. It is not only in the United States, which probably is suffering more than any other major producing nation, but there are clear strains in the European community and in a lot of other agricultural producing nations as well.

So it seems to me the time is ripe to deal with questions of agricultural trade and deal with them decisively. I intend as a matter of fact to confer on this issue with Secretary Designate Lyng this noon, and we are hopefully going to be able to build a foundation over the next several months for moving rapidly into a new negotiation on agriculture. I would like to see it not only be on the GATT agenda, and a determination on that will be made by mid-July. The preparatory committee that will make recommendations on the agenda for a new GATT round is meeting now and will have its recommendations in mid-July which it will then present to the meeting of the Ministers in September.

Not only should agriculture of course be on that agenda, but I would like it to move at an accelerated pace in the negotiations. In other words, I would like agriculture taken up as one of the earliest elements of a negotiation in the new GATT round, and hopefully, be brought to a conclusion ahead of most of the rest of the GATT negotiations.

The expectation would be that it would probably take three to 25 years to do a new GATT round and we just cannot afford to wait that long on agriculture. I would just like to see whatever it is we achieve on agriculture, be negotiated and implemented within a year or two.

Mr. SMITH. I hope our target is something that is achievable when we talk about agriculture. Three or four years ago there was a great deal of attention and finally there was an opportunity to negotiate something with the Japanese. Half of the time was taken trying to get them to buy surplus oranges from California. Obviously they are not going to rely on a surplus from California for their orange crop.

We forced them after World War II to divide their acreage into little production units and be self-sufficient in oranges. I hope this time we will negotiate on something that is achievable.

Ambassador YEUTTER. I hope so, too, and we will be glad to have any inputs you would like to provide as we go through this process. As I said, we want to quietly work on this, over the next several months, and try to lay the groundwork for immediately moving into some negotiations late this year and early next year.

Mr. SMITH. One more thing.

These state trade delegations and commodity groups. You have had an opportunity to observe them. How much good do they do?

Ambassador YEUTTER. I suppose one would say, Mr. Chairman, that it all helps, and I certainly wouldn't want to discourage anyone from promoting American exports and working actively toward expanding our export opportunities, but many of those organizations have not made a lot of difference in the numbers.

In other words, they have expended a lot of energy, but the track record is clearly mixed at best.

Mr. SMITH. They mean well, but when you get right down to it, there are about half a dozen Japanese nationals in Chicago that really determine what grain they are going to buy and at what price. You can spend all the time you want in Japan but, you are not going to change their decision, because they know what the price is and what the best option is for their country.

That is essentially true, isn't it?

Ambassador YEUTTER. With the Japanese market on grain, there is a great deal of truth to that. That is not necessarily the same situation in manufacturing areas. There are manufacturing opportunities for the sales of manufactured goods that would not fit that same category, but one really has to go almost industry by industry, in some cases even firm by firm, to analyze the potential.

Mr. SMITH. Is that largely a matter of showing them the product that you have and convincing them that it is something they need?

Ambassador YEUTTER. Yes, and sometimes it depends on whether there is a substitute product available in Japan or whether it is something that they really need because it is simply not something that they now produce.

Mr. SMITH. This brings in one more thing. Thirty percent of the world's trade now is in either barter or multinational agreements. It is bigger and bigger and bigger, and as it gets bigger we lose market share because we are not involved like others.

Ambassador YEUTTER. Yes.

Mr. SMITH. Isn't it time that we really got into it?

Ambassador YEUTTER. Well, I am not prepared to draw that conclusion yet, Mr. Chairman. My judgment is that our private sector operations can work effectively in that setting. I am not enthused about barter arrangements, because it seems to me that is a terribly inefficient way to conduct world trade. It is a reality today that we cannot ignore.

Mr. SMITH. Especially in view of the experience that other countries have had in the last few years, where suddenly the value of their money compared to the dollar changes so rapidly. They want to know in terms of resources how much am I going to get for a unit of my resource and for a unit of yours.

Ambassador YEUTTER. Yes.

Mr. SMITH. Don't you think that they are going to go more rapidly toward multinational agreements?

Ambassador YEUTTER. Some of them will. Clearly there are a lot of state trading entities of course already in existence that are engaged in international trade. Other democratic systems, capitalistic systems like Canada, Australia and others, have institutions that engage in international trade on behalf of their private sectors. There certainly is a lot of that that prevails in international trade today. It is really a challenge for us to match up institutions with them, and to expand market share and capture, hopefully more than our share than might otherwise be the case. The strength of the dollar, however has hurt us so much, Mr. Chairman, in the last few years, we have to be a bit cautious about adopting their modus operandi, because of our apparent lack of success in recent years.

Mr. SMITH. For example, in 1977 I got an amendment into the Trade Act which has been used, I think, only once or twice, that permits the government to give a guarantee for up to 20 years that the contract will not be interrupted as a result of an embargo.

Ambassador YEUTTER. Yes.

Mr. SMITH. Provided it meets certain conditions, it has to be a product we have in surplus. That, for example, could be used to encourage this.

Ambassador YEUTTER. Those kinds of actions, Mr. Chairman, can be very helpful, because our private sector has a lot of risk in international transactions today, both political and economic risk, a good bit of which is totally outside its control.

Mr. SMITH. And there is real fear in other countries that we are going to embargo.

Ambassador YEUTTER. Oh, yes.

Mr. SMITH. We have had so many embargos. We have had seven or eight in the last fifteen years. They really are afraid we are going to embargo. I heard that ten times in Japan. Every time you turned around somebody said, "But you wouldn't give us soybeans even though we were willing to pay the price."

Ambassador **Yeutter**. Yes, that is true. As you know, I was in the Department of Agriculture shortly after that embargo took place, so I have heard all of those same arguments over a period of many years. There are clearly things of that nature that can be done to facilitate international trade, and to encourge our exporters to be more aggressive in their own endeavors.

One of the difficulties that we face in expanding exports, Mr. Chairman, is that we have such an attractive domestic market, it is often difficult to convince American companies that they really ought to engage in exports at all. When they face a very strong dollar, as they have the last few years, that discourages them still further, and some, of course, have simply eliminated their export arms.

Mr. **Smith**. If they can get production from imports they are willing to just divide the American market and be satisfied?

Ambassador **Yeutter**. Yes. Unfortunately a substantial number of American companies feel that way, and would simply rather avoid the hassle of becoming exporters. That is regrettable, if we are ever going to be a major presence in international trade, because it puts us at a severe disadvantage compared to companies from other countries.

Mr. **Smith**. Some of the Members will have some more questions.

Thank you. I hope you have enough resources to do what you are going to do. We are going to be watching to see how you absorb 4.3 percent.

If you can do that maybe you can take another 4.3 percent.

Ambassador **Yeutter**. The days are getting longer. When we reach 24 hours, Mr. Chairman, we may have to consider that.

[Questions for the record and the answers thereto follow:]

1986 Adjusted Appropriation

Mr. Smith

1) The Gramm-Rudman sequestration amounts to a reduction of $566,000 from the enacted appropriation level for 1986. Are you able to cope with this reduction?

Our Budget of $12,592,000 reflects the G-R-H reduction of $566,000. This is consistent with the President's commitment to meet the Gramm-Rudman-Hollings deficit reduction target and as like the rest of government we can cope with the reductions.

2) Please provide for the record a detailed description of how these reductions will be taken and what the impact will be upon the specific activities listed in your budget request for fiscal year 1986.

Object Class	FY 1986 Request (Presidential Budget)	FY 1986 Appropriation	FY 1986 G-R-H
11.1	$ 5,469	$ 5,531	$ 5,531
11.3	157	303	303
11.5	148	233	233
11.8	857	988	890
12.1	774	885	835
21.0	874	972	1,000
22.0	42	78	78
23.1	555	514	514
23.2	805	307	307
23.3	0	853	877
24.0	233	297	297
25.1	1,100	1,550	1,156
25.2	72	72	72
26.0	111	149	149
31.0	234	426	350
	$11,431	$13,158*	$12,592*

*Object Classes have not been finalized for FY 1986.

Smith (continued)

3) Do you anticipate any supplemental requirements for 1986 as a result of this reduction?

At this time, we do not anticipate supplemental requirements for Fiscal Year 1986.

In Fiscal Year 1987, there maybe such a need because of the New Round.

1987 Budget Request

1) The budget reflects a reduction of $31,000 in permanent position expenses for 1987. However, you are maintaining the same level of permanent positions. How are you able to effect this reduction?

It is a slight reduction as the result of staff turnover and will not adversely affect Object Class 11.1.

2) The budget indicates that you will be reducing by $50,000 the expenses for positions other than full time permanent, which remain even at six. How are you able to achieve this reduction?

We will hold down consultants' time, the grade level of temporary secretaries and the number of paid student assistants.

3) Please describe for the record what the reduction of $84,000 related to special personal services payments relates to in 1987, and what in 1986 you spent $890,000 for in the area of special services payments.

Personal Services Payments (Object Class 11.8) covers the cost of reimbursable details. Based upon estimates from other agencies, we expect a small reduction in this category.

Smith (continued)

4) How are you able to achieve the reduction of $109,000 in personal benefits in 1987 when you maintain the same level of positions?

Costs in Geneva for allowances will be less than anticipated because we will not transfer as many individuals to Geneva as originally planned. We will also expect to save a small amount due to reduced reimbursable detail costs.

5) You are proposing to reduce travel and transportation by $126,000 or almost 13 percent in 1987 below the 1986 level. What factors contribute to this significant reduction in travel and transportation?

We plan to scrutinize very carefully each and every trip to determine need, and to establish travel priorities, to hold staff to trips that are absolutely essential.

6) You are proposing almost a total reduction of transportation of things in 1987. This represents a reduction of $65,000 from the $78,000 appropriated in 1986. To what is this attributable?

We will not transfer as many staff to Geneva as originally anticipated.

7) How are you able to achieve the reduction of $70,000 in communications, utilities, and miscellaneous expenses?

By holding down the costs of: equipment rentals (fewer rentals) and telephone charges.

8) How are you able to achieve the almost 50 percent reduction in printing and reproduction in 1987 of $155,000?

By careful control of these costs, that is holding to the absolutely essential printing, and utilizing duplication machines, rather than printing, to a much greater degree.

Smith (continued)

9) You are proposing a significant increase of $254,000 for other services in 1987. What specifically will these increased funds provide for in 1987?

The increase in Other Services of $264,000 will be essential for rising data and computer software requirements, i.e., software maintenance, acquisition and related supplies. This will allow us to respond to needs of our staff and the Harmonized System.

10) You are requesting a decrease in respresentation expenses of $13,000 in 1987. What was the actual level of expenditures in this area in 1985? What factors contribute to your estimate of reduced requirements in 1987?

For Fiscal Year 1985, the actual expenditures were $52,065. Please keep in mind that Fiscal Year 1985 was a "transition year", i.e., due to the departure of the former USTR and other staff which caused a slowdown in activities.

Thus far in FY 1986, we have spent $20,573. Occasionally, other agencies pick up some of these costs.

For Fiscal Year 1987, we had to apply reductions almost across-the-board, in our other-than-personnel expense area and will have to work within the estimate.

11) What equipment needs have caused an increase of $17,000 in 1987 over that of the 1986 level?

We anticipate having to purchase additional equipment to provide for increased security in the Winder Building as a result of a security survey now nearing completion.

Question: USTR is, or will be, involved in a number of new or intensified trade initiatives--a new round of multilateral trade negotiations, self-initiation of section 301 cases, reporting on the President's steel adjustment program, annual national trade estimates reports, harmonization of tariff nomenclature, etc. Much of the research, analysis, and policy development functions have typically been carried out by a variety of committees and task forces drawing heavily on the personnel of other associated agencies (page 1). Thus, although USTR's budget does not reflect a significant reduction, resources available to carry out important trade initiatives may be impaired by significant budget cuts in the associated agencies (Commerce, Treasury, Agriculture). Can you describe the extent of USTR reliance on other agencies and estimate how that support may be affected by proposed budget cuts?

Answers: USTR's reliance on other agencies is reflected in the interagency process and in the fact that we leave details in USTR from other agencies.

To date, there is no reliable indication on how, e.g., the details from other agencies will be affected. (However, it is not inconceivable that we may have more difficulty acquiring details because of the proposed budget cuts.)

If agencies determine that trade liaison function is not necessary, they may be cut. This will clearly effect our ability to carry out our interagency coordination responsibilities.

We may also face problems with acquiring non-reimbursable detailees as their budgets are reduced.

Q#2 In the past year the United States has several times resorted to the use of mixed credits to counteract similar practices by other countries. Could you describe USTR's role in carrying out this initiative and explain the process for funding mixed credits?

A. USTR, as a member of the National Advisory Council on International Monetary Affairs (NAC), and a member of the U.S. Delegation on tied-aid credit negotiations, has played an active role in promoting the use of tied-aid credits (mixed credits) to counteract trade distorting practices by other countries.

Under the Trade and Development Enhancement Act of 1983, all tied-aid credits must have the unanimous consent of the NAC. USTR has worked with Eximbank and AID to identify projects where competitive U.S. tied-aid credit offers supporting U.S. exports would facilitate our negotiating objectives. USTR has supported all tied-aid credits that have been proposed to the NAC.

In conformity with the President's Trade initiative, USTR has been identifying appropriate markets and projects in which Eximbank and AID should aggressively offer tied-aid credits. Under this program, Eximbank has offered tied aid credits for twelve projects amounting to an export value of over $ 400 million. Of this total, AID has provided $7 million in grants for the sale of computers to India -- the only case to date in which a U.S. exporter has won the contract.

Currently, U.S. tied-aid credits are funded in two ways; (1) out of Eximbank's capital and reserves, or (2) from AID funds. Most tied-aid credits have been single Eximbank transactions where Eximbank offers terms below OECD Arrangement terms; the subsidy element in the transaction is funded from Eximbank's capital and reserves. When projects occur is countries where AID has a program and when resources are available, AID has provided grants to provide competitive financing. In those cases, Eximbank has provided normal export credit support for its portion at OECD arrangement terms.

3. In the 1985 National Trade Estimates Report, you noted that the private sector, in commenting on a draft of the report, had identified 60 new significant trade barriers (page 29). Could you describe what measures you are taking to ensure that the 1986 report will include all significant trade barriers?

Since the National Trade Estimates Report was published last fall, we have been exploring ways to update and improve the information contained in the report. Immediately after the report was released to Congress we transmitted the report to U.S. Embassies abroad and to the private sector advisory committees. We will be requesting that they update the information contained in the report in the near future. We will, of course, be submitting the results of this survey to a thorough interagency review. In addition, we have initiated plans to utilize the report as a management tool. Our objective is to integrate this with ongoing activities of the office.

Question

The Generalized System of Preferences provides tariff preferences to aid U.S. imports from developing countries (page 30). This program reduces U.S. tariff revenue to some extent, and there has been some controversy as to whether past program decisions have misinterpreted legislation and cost more revenues than proper. Could you clarify this controversy and also comment on efforts to "graduate" some of the more developed countries from the program.

Answer

We presume that the controversy referred to in the question is an issue raised in a recent report by the Congressional Research Service (CRS). The CRS report questions whether successive administrations, over the past eleven years, have been properly interpreting the Trade Act of 1974 in indexing the dollar competitive need limit of the GSP program. Their view is that we should use the gross national product (GNP) from two years before the year in which we are making competitive need determinations to index the limit. Actual practice, since the inception of the program, has been to use the GNP from only one year before the determination year.

We have carefully reviewed the CRS report and the legal questions it raises. Our conclusion is that there is some ambiguity in the law but that our interpretation appears to be correct in light of the wording, legislative history, and intent of the law. Attached is a copy of our legal analysis of the issue.

Regarding country graduation, we are currently conducting a General Review of the GSP program as mandated by the Trade and Tariff Act of 1984. The purpose of the review is to examine the competitiveness of each GSP beneficiary country vis-a-vis each of the products covered by the program.

Where a country is found to be "sufficiently competitive" with respect to a product, we must reduce the country's GSP benefits vis-a-vis that product. In determining whether a country is "sufficiently competitive" in a product, we are required to consider (1) the country's level of development, (2) its competitiveness in the particular product, and (3) its practices relating to trade, investment and labor rights.

Last year, we held public hearings and accepted written comments regarding country practices and product specific issues relating to the General Review. We also held a first round of consultations on the General Review with interested beneficiary countries.

We recently received advice from the ITC and are reviewing this advice, as well as the comments received during last year's hearings and public comment process. After this review is completed, we will resume consultations with beneficiary countries.

The General Review must be completed no later than January 4, 1987. Changes resulting from the review will take effect on July 1, 1987.

Q#5. USTR's efforts to negotiate bilateral investment treaties have constituted a recent U.S. government initiative. How successful have these been in addressing such investment problems as performance requirements, i.e., transference of majority equity and advanced technology and local content and export percentage requirements?

A. We have been largely successful in addressing certain types of performance requirements in our bilateral investment treaties. All of the treaties that the United States has concluded contain the assurance that U.S. investors will be accorded national and most favored nation treatment, whichever is most favorable. These standards of treatment provide important safeguards against the use of certain types of performance requirements such as the transference of majority equity and advanced technology. However, our success in addressing other types of performance requirements, such as local content and export requirements, has varied between treaties. Some of the treaties contain a provision which prohibits the use of these performance requirements while others contain a provision which states that the use of such performance requirements should be avoided. Because performance requirements such as local content and export requirements are clearly trade-related issues, we believe it would be more appropriate to address such measures in the GATT.

The United States has signed bilateral investment treaties with Panama, Egypt, Senegal, Haiti, Zaire, Morocco, Turkey and Cameroon. We will sign our ninth treaty with Bangladesh the week of March 9. All of these treaties, with the exception of Egypt, are expected to be sent by the President to the Senate in the near future for ratification.

Countertrade

The U.S. position on countertrade remains that set forth by the TPRG in 1983. Countertrade represents a distortion of international trade and is contrary to an open, free trading system. It is not in the long-run interest of the United States or the U.S. business community. Nevertheless, as a matter of policy the U.S. government does not oppose U.S. companies' participation in countertrade arrangements unless such actions could have a negative impact on national security.

However, recognizing that U.S. companies may be confronted with countertrade opportunities which they cannot or do not wish to forego, the U.S. government does offer advisory and market intelligence services. It also informs U.S. business that countertraded goods are subject to U.S. trade laws including quotas. This information is provided by U.S. embassies overseas, Department of Commerce district offices, and U.S. government officials in Washington.

The U.S government continues to review its position on countertrade. At this time, no evidence has surfaced to warrant a change in the U.S. position.

Q. Because you were once a policy official at the Department of Agriculture in charge of export promotion and Commodity Credit Corporation activities, how closely do you feel you will interact with USDA in promoting U.S. farm exports as the Trade Representative?

A. Because of my background, I am keenly aware of the critical importance of agricultural exports to the economic viability of the U.S. farm sector. I worked very closely with Secretary Block in improving access for U.S. agricultural products to foreign markets and identifying and eliminating foreign practices which impede overseas sales of our farm products. Secretary Lyng and I have had a long association that began in the Department of Agriculture nearly two decades ago. I look forward to working with him to further improve access, combat unfair trade practices, and revitalize our agricultural export potential.

Q. Will you take an active role in P. L. 480 policy determinations?

A. Traditionally, the Office of the U.S. Trade Representative has not been actively involved in P.L. 480 policy determinations. I don't expect this situation to change. I'm convinced that our focus of attention should continue to be on commercial trade matters. Quite frankly, issues related to commercial trade matters keep us fully occupied. Our only involvement in P.L. 480 and other concessional sales should be when such sales might disrupt commercial trade or threaten to violate our international obligations.

April 9, 1986

FOR: MR. SMITH

1. What would be the impact on the activities of each agency in the Department if each agency received the same amount for FY 1987 that was appropriated for FY1986 before sequestration with no other adjustment for uncontrollable items?

   Receiving the same amount in FY1987 as received in FY1986, before sequestration, would provide an additional $566,000 for the USTR's other-than-personnel compensation area.

2. If the Department received the same amounts in FY1987 that it received in FY1986 after sequestration, what would be the impact on the activities of each agency?

   Receiving the same amount in FY1987 as received in FY1986, after sequestration, would result in reductions in some other-than-personnel compensation areas, e.g., travel, leasing of office space, contracts and supplies due to cost increases.

3. What would be the impact on each of the agencies in the Department if each were to receive a percentage reduction of 8.4% below the FY1986 amount, adjusted for sequestration?

   Receiving, for FY1987, an amount below that received following sequestration in FY1986, would reduce amounts in all categories of personnel compensation as well as travel, leasing of office space and equipment, contracts and supplies.

4. What action is the Department taking to consider these possibilities -- have you formed a task force or done any contigency planning?

   A special committee is reviewing all requests for expenditures by comparing those requests with budget estimates, actual expenses and needs. Priorities are being established so that all critical program needs can be met including reallocation of available funds.

We are aware that the Public Printer, at the Government Printing Office, has certain initiatives to encourage Federal agencies to take maximum advantage of GPO commercial procurement contracts. Also, the new GPO electronic publishing procurements are now saving very substantial tax dollars. We would like to know what plans you may have to increase your reliance on GPO commercial procurements for both printing and electronic publishing.

We plan to explore and utilize as many cost effective initiatives of this type as possible, i.e., with the GPO, GSA and other Federal agencies for various types of procurements as soon as possible, this Fiscal Year.

4/4/86

Mr. Early

1) As you know, most agencies and commissions under this subcommittee's jurisdiction are only being forced to absorb a 1% pay cut in FY 86, 4% of the original 5% paycut was restored. The USTR, however, was forced to absorb the entire 5% totalling $424,000.

a) Please explain how you are absorbing this cut? Will you be forced to make salary reductions, furloughs, and/or paycuts? Or, have you trimmed other parts of your budget? If so, from what accounts?

We have trimmed other parts of our budget in "other expenses" i.e., object classes other-than-personnel.

b) Along these same lines, it appears you are assuming the 4.3% sequestration, totalling $576,000, in your FY 86 base ($13,158,000 was the original FY 86 appropriation). Please explain how the Office of the USTR plans to absorb this cut; particularly in light of the fact that we are facing the largest trade deficit in history and your responsibilities, mandate and workload are subsequently growing?

$13,158,000 less $566,000 (4.3% cut) brings us to a new total of $12,592,000. The cut is largely reflected in costs other-than-personnel. This is illustrated as follows:

Object Class	Appropriation (in thousands)	G-R-H
11.1	$ 5,531	$ 5,531
11.3	303	303
11.5	233	233
11.8	988	890
12.1	885	835
21.0	972	1,000
22.0	78	78
23.1	514	514
23.2	307	307
23.3	853	877
24.0	297	297
25.1	1,550	1,156
25.2	72	72
26.0	149	149
31.0	426	350
	$13,158	$12,592

2) For FY 87, the justifications show that you are requesting $12,216,000 -- which is $942,000 less than your original FY 86 appropriation and $1,366,000 less than FY 85 -- Yet, you will continue to staff at the same levels of 136/130 FTE/FTP's. Again, please explain where you plan to institute these reductions, without reducing staff, while still fulfilling your growing responsibilities and mandate, particularly in light of the President's "New Trade Initiatives" announced in September?

As indicated in Ambassador Yeutter's testimony, we plan to preserve our core professional staff and related personnel costs. That is why the overall percent change in Personnel Compensation is -3.6%.

3) Was $12,216,000 what you originally asked OMB for in FY 87? If not, what was your original request?

For Fiscal Year 1987, the original request was $15,682,000.

4) What percentage of your budget, or dollar figure, is related to travel?

For FY 1987, the amount is $874,000 or 7.2%.

a) What percentage of your budget, or dollar figure, is devoted to overtime?

For Fiscal Year 1987, the amount is $120,000 or 1%.

5) How does the Office of the USTR view the Japanese Government's recent decision to extend the "Voluntary Restraint Agreement" through a sixth year --- particularly in light of the rise of the yen against the dollar?

The recent decision by the government of Japan to extend its voluntary restraints on automobile exports to the United States was a decision made by the Japanese government alone. While we understand the concerns that prompted this action by the Japanese government, the Administration did not request Japan to take this action. In regard to the appreciation of the yen against the dollar, while this may have an effect on the prices of Japanese automobiles sold in the United States, it does not affect our assessment of the voluntary restraint decision by Japan. The principal objective of our policy remains to obtain increased access for American products and services in Japan rather than to seek the imposition of export restraints by Japan.

6) Ambassador Yeutter, I would like to take this opportunity to commend the Office of the USTR on their annual "National Trade Estimates" report on significant trade barriers, which was required by Section 303 of the Trade and Tariff Act of 1984. The research and publication costs involved in compiling such a report must have been extensive. Could you provide us with additional detail into the costs and effort involved?

For Fiscal Year 1985:

Printing - $3,000

Preparation - $6,000

7) What efforts has the Office of the USTR made toward implementing some of the initiatives outlined in the Presidents "Trade Action Plan" which was announced in September? Do you anticipate sending up for a supplemental in the effort to meet any of the President's initiatives?

On September 23, the President announced a comprehensive set of proposals for dealing with America's trade problems. These proposals reflected the President's long-standing commitment to fair trade as a prerequisite for free trade. Since that time, specific actions have been taken. Among the steps which we have taken are:

-- the unprecedented self-initiation of Section 301 unfair trade cases against Brazil, Korea and Japan.

-- the establishment of clear deadlines in long-standing disputes with the EC and Japan.

-- the submission of legislation to create a $300 million fund to increase U.S. leverage in negotiations to eliminate predatory tied aid credit financing.

-- the self-initiation of an antidumping investigation against the sale of certain semiconductors at less than "fair value" based on the recommendation of the interagency Strike Force chaired by Commerce Secretary Baldrige.

-- the publication of our first extensive study of foreign trade barriers, in accordance with Section 303 of the Trade and Tariff Act of 1984. This report goes beyond unfair trade barriers to cover all significant barriers to trade.

-- the retaliatory imposition by the President of higher tariffs on EC pasta exports to the United States as a result of the unwillingness of the European Community to compensate for the injury to U.S. citrus exports from EC preferences to Mediterranean countries.

These actions represent only the initial step in our efforts to ensure that trade is both free and fair. We will take additional actions if and when conditions require.

8) What 301 cases is the Office of the USTR currently involved in?

The Office of the U.S. Trade Representative conducts investigations and makes recommendations to the President in all Section 301 cases. Currently there are 16 investigations outstanding, four of which we self-initiated last fall on Brazilian informatics practices, Japanese restrictions affecting U.S. cigarette exports, and Korean insurance and intellectual property practices. We initiated the remaining twelve investigations in response to petitions filed by U.S. industry. These involve: EC citrus tariff preferences for Mediterranean countries, EC pasta export subsidies, EC and Brazilian poultry export subsidies, Canadian tax remissions affecting front end loaders, Brazilian and Korean non-rubber footwear import restrictions, EC water solubility standards for triple superphosphate fertilizer, Brazilian, Portuguese and Spanish practices affecting soybean oil and meal, and Japanese semiconductor practices.

a) How does the Office of the USTR view HR 2607, the Fair Foreign Trade Practices Act of 1985, legislation which would strengthen Section 301 of the Trade Act of 1974, by investing more authority in the Office of the USTR and transferring certain authority from the President, in the effort to more effectively enforce US rights under international trade agreements and improve our ability to respond to unfair and injurious foreign trade practices?

We oppose H.R. 2607's proposal to transfer authority under Section 301 from the President to the U.S. Trade Representative. We feel strongly that the President is in the best position to weigh the various factors affecting the overall U.S. economic interests. Therefore, he should retain the authority to direct action in response to unfair foreign government practices. In fact, I feel so strongly on this issue that I will recommend a Presidential veto of any bill including a proposal along these lines.

While we appreciate the intentions behind such a proposal, we do not believe it would achieve its aim of depoliticizing Section 301 actions in any event. Our trading partners know that the

Trade Representative reports to the President, and is highly unlikely to take any action that the President would disapprove. Moreover, the Trade Representative acts with the advice of other interested agencies. Where agencies significantly disagree on Section 301 issues, differences are resolved within the Economic Policy Council or by the President. A transfer of authority under Section 301 from the President to the U.S. Trade Representative would not facilitate, and could even impede, this interagency process. If the Trade Representative were authorized to act, he might feel precluded from advocating his views, and reduced instead to serving as a referee among contending agencies. Such a role would not be as effective in ensuring the best possible resolution of our trade disputes under Section 301.

For these reasons, we oppose the proposed transfer of authority under Section 301 from the President to the U.S. Trade Representative.

9) Ambassador Yeutter, one of the few increases in your FY 87 budget justifications is $46,000 in rent in Geneva. Is this increase in any way related to additional space needed for preparation for the New Round of GATT trade negotiations? Or is it simply due to an increase in rent? Please explain.

The increase does not relate to space for the New Round. It will cover increases in rent for staff currently assigned to Geneva.

10) Last year, Ambassador Brock estimated that the overvalued dollar accounted for possibly 85% of our trade deficit -- With the dollar finally declining among world markets, are you anticipating that the U.S. trade deficit might finally begin to decline as well?

Some have expressed concern in not seeing a rapid improvement in the U.S. trade deficit following the recent and substantial moderation of the dollar's value. There is an important consideration to bear in mind on this point. Following a currency depreciation, so-called J-curve effects result in a nation's trade balance temporarily worsening before substantially improving. The reasons are well known. The currency depreciation quickly raises the price of imports while export prices are left unaffected, thus increasing the dollar value of the deficit. Over the course of a year to a year and a half, consumers and business begin to react to the price changes. In our case demand for imports will moderate while foreign demand for our exports will overcome the original price effects of the depreciation, and our trade balance will improve.

Because of these lags, I would not expect to see improvement in the trade balance until later this year, probably too late to significantly change the 1986 totals from 1985.

11) Has the Harmonized System Article XXVIII phase been completed? Are you still meeting your projected date of January 1, 1987 for complete implementation of the Harmonized System? Do you anticipate needing supplemental funds for computers, equipment or personnel necessary for timely implementation?

The formal Article XXVIII negotiations concerning the introduction of the Harmonized System are scheduled to begin in May, 1986. These negotiations will go on throughout the rest of 1986 and into mid 1987.

The implementation date for the Harmonized System had to be put off to January 1, 1988 due to slippage in the international work program caused largely by domestic delays encountered by key trading partners, in particular the EC and Canada. The major participants in the Harmonized System work have recently reconfirmed their commitment to the new implementation date and we do not expect further slippage.

Additional funding beyond what has already been projected for the next two years to cover domestic and international implementation activities will not be necessary under current assumptions.

12) This past summer, some of the businesses in my district were concerned about and effected by negotiations for steel import quotas with the European Common Market that I believe the USTR was involved in. Can you bring me up to date on the status of these negotiations and whether a favorable agreement/ outcome has been reached?

In December, 1985, we signed an agreement with the EC extending the original 1982 agreement through September, 1989. Further, the new agreement has extended the product coverage to include quotas on those products which had previously been only monitored or not covered at all. Thus the new agreement is comprehensive, compared to the previous more limited agreement. One steel product, semi-finished steel, has not been included in the agreement. Thus, we unilaterally imposed a quota on EC exports of this product, at least until some bilateral solution can be found.

a) Moreover, it is my understanding that certain specialty steel companies are being decimated by imported steel. In certain instances, it appears that American companies, for example, are buying small steel and wire companies in Europe and abroad to cut the costs of buying the American-made product. Is the USTR experiencing more and more of these types of complaints?

EC exports of certain flat-rolled specialty steel products had been hurting American producers. But we have now concluded an agreement with the EC to restrict their exports of these products as well. I am not aware of any increase in the pattern of American companies buying European companies to avoid the cost of purchasing American goods.

b) In this light, how does the Office of the USTR view the Reagan Administration's latest efforts to ease antitrust laws in the effort to make the U.S. more internationally competitive?

The Office of the U.S. Trade Representative participated in the Administration's Antitrust Working Group and fully supports the antitrust law revisions recently proposed by the President.

Revised 3/31/86

Responses to Questions Asked by Representative Carr

1. On August 5, 1985, Roses, Inc. filed a petition under section 301 of the Trade Act identifying policies and practices of a host of foreign countries which harm U.S. exports of roses to our principal export market Canada, and which unreasonably divert foreign producer exports into the U.S. market. Your office refused to investigate this petition. Are you personally familiar with the case? Please explain the process in which your office refused to investigate this petition.

Answer

We followed the process set out in the law and our regulations. First, my staff reviewed a draft of the petition and discussed with Roses, Inc.'s counsel deficiencies and areas of concern. Second, after the petition was formally filed, it was distributed to the inter-agency Section 301 Committee. Third, after each agency had analyzed the petition, the Section 301 Committee unanimously determined that an investigation should not be initiated. The bases for this conclusion were that--

1) several of the alleged unfair practices had been terminated and others did not exist;

2) several already had been addressed in countervailing duty proceedings;

3) many were not adequately supported by information in the petition; and

4) others lacked adequate evidence of a burden or restriction on U.S. commerce or a causal link between the alleged practice and an effect on U.S. commerce.

Fourth, we reviewed and approved the conclusions of the Section 301 Committee. Fifth, the Chairman of the Committee called petitioner's counsel, told him the decision not to initiate an investigation, and gave a detailed review of the reasons for the determination not to initiate. Sixth, we published in the Federal Register notice of the negative determination and a summary of the reasons therefore.

2. In response to your decision not to investigate Roses, Inc.'s petition, did you realize that your position contradicts the President's promises to industries like the rose growers that have been, and are now being victimized by unfair trade? (The President's September, 1985 statement of foreign trade policy seems to confirm a position contrary to yours.)

Answer

In his September, 1985, trade policy statement President Reagan said: "To those industries that are the victim of unfair trade, we will work unceasingly to have those practices eliminated." We are doing just that.

Last fall we self-initiated four section 301 investigations--Brazil informatics, Japan tobacco products, Korea insurance and Korea intellectual property. We are in the midst of our investigations and will make recommendations to the President by fall. The mere possibility of a section 301 case led Korea to ease restrictions on motion picture distribution and Taiwan to open its market for beer, wine and tobacco products. Also we favorably settled two long-standing cases--EC canned fruit and Japan leather and leather footwear.

We did not initiate an investigation on roses because petitioner did not present sufficient, credible evidence supporting its allegations of practices actionable under Section 301. (I outlined our specific reasons for not initiating in my prior answer.) There must be some basis for initiating an investigation. There was none in this case.

3. During the pendency of the roses 301 petition before our office, you granted an ex parte conference to the counsel and representatives of the Colombian rose exporters. Yet you declined to grant a conference to the representatives of the U.S. rose growers. Why didn't you give them a chance to address the issues presented by the foreigners? Please detail your decision making process and the events surrounding this decision.

Answer

Section 301 covers trade matters, inextricably involving trading partners; so ex parte meetings occur all the time. The focus, then, should be on whether we kept petitioner's counsel informed of all non-confidential aspects of the meetings and telephone conversations with representatives of the foreign countries named in the petition.

We did. We made every effort to ensure that petitioner's counsel was aware of points raised by the foreign representatives. We never denied a request for a meeting; any intimation to the contrary is incorrect. Our decision not to initiate followed the process described in my answer to the first question.

4. In your testimony before the Subcommittee on Trade in the House Ways and Means Committee you said that you were forcefully acting on the President's objective of a level playing field for U.S. industry in competing with unfair

competition from foreign competitors by your "self-initiation of section 301 cases." However, you did not investigate the petition of the domestic rose growers. What is your response?

Answer

My response to your second question applies here as well. We are acting forcefully against unfair trade. We did not initiate this case because its allegations were not supported by sufficient, credible evidence.

OFFICE OF THE UNITED STATES
TRADE REPRESENTATIVE
EXECUTIVE OFFICE OF THE PRESIDENT
WASHINGTON
20506

February 28, 1986

MEMORANDUM TO: SOL MOSHER

FROM: JOHN P. GIACOMINI

SUBJECT: Question from George O'Brien House Appropriations

AS YOU KNOW, MR. AMBASSADOR, THE UNITED STATES POSTED A RECORD-BREAKING TRADE DEFICIT IN 1985 OF $148.5 BILLION. MAJOR DOMESTIC INDUSTRIES, SUCH AS STEEL, ARE SUFFERING FROM THE EFFECTS OF AN IMPORT BALANCE AND UNFAIR TRADE PRACTICES. GIVEN THESE FACTS AND THE CERTAINTY THAT TRADE WILL SOON AGAIN BECOME A MAJOR FOCUS, DO YOU BELIEVE THAT YOUR REQUEST WILL BE SUFFICIENT TO ADEQUATELY ADDRESS THE CONCERNS OF INDUSTRY WHILE YOUR AGENCY ENDEAVORS TO EFFECTIVELY CARRY OUT THE RESPONSIBILITIES IT IS CHARGED WITH?

Our budget of $12,592,000 reflects the G-R-H reduction of $566,000. This is consistent with the President's commitment to meet the G-R-H deficit reduction target. We can cope with the reductions and effectively carry out our responsibilities.

Questions by Congressman O'Brien

Question: The President's steel program set certain targets for imported steel. Some progress was made toward reaching these goals in 1985, but import penetration of pipe, especially from Korea, remains very high. What steps are being taken to ensure compliance with the negotiated import levels and to make sure the President's import-restraint program is effective?

Answer: All negotiated quotas will be enforced. During the first agreement year, certain countries shipped excess quantities prior to the date that the agreement was formally signed. Any such excessive shipments that resulted in the exceeding of quotas in 1985 is being reduced from 1986 quota levels. Thus certain countries will have significantly lower quotas in 1986. With regard to Korean pipe, the Koreans shipped excessively large quantities of standard pipe in 1985, in violation of the "anti-shift" provisions in the agreement. Thus, in December, we forced the Koreans to establish a separate quota for this product and to pay back the excessive shipments through reductions in their future quotas. I believe that the domestic pipe industry is quite satisfied with our result.

3. Because of the attractive trade incentives, many Caribbean Basin Initiative countries are fast becoming a haven of direct foreign investment for many Asian companies which are eager to find new ways of breaking through the U.S. tariff and quota walls. What can the USTR do to protect the CBI from abuses of this kind and prevent this program from being undermined?

Answer: Under the Caribbean Basin Initiative (CBI), duty-free access for a broad range of products to the U.S. market is a means to an end, i.e., the creation of sustainable economic growth in the CBI countries. The United States recognizes that a prosperous Caribbean Basin not only improves the prospects for stability and democracy in the region, but also offers increased market opportunities for U.S. business. Foreign direct investment is an important component of our overall strategy. In this regard, we do not view investment by countries outside the United States in the CBI as an abuse. In view of our geographic proximity and close ties to these nations, broadened opportunities for U.S. business are created by the contributions of our allies to the Caribbean markets.

In order to be eligible for duty-free treatment in the United States, an article must be grown, produced or manufactured in a beneficiary country and must meet certain rules-of-origin. First, an article must be imported directly from a beneficiary country; second, the cost or value of the article must consist of at least 35 percent direct cost of processing in one or more beneficiary countries (U.S.-made components may comprise 15 percentage points of the 35, leaving 20 percent value-added in beneficiary countries); and third, any product including foreign components must be substantially transformed into a "new and different article of commerce" in one or more beneficiary countries.

If a CBI country, or any other country, imports a product, subjects that product to a process of manufacture such that it is substantially transformed into a new product, it becomes a product of the new country and thus subject to the U.S. marketing and regulatory conditions applicable to the products from that country. There is nothing illegal about this result. In fact, it clearly conforms with accepted Customs rulings and practices. We have complete confidence that Customs will continue to make correct rulings in these matters.

The circumvention of tariffs and quotas is a problem which concerns us; but it is not strictly a CBI problem. In dealing with this issue, we must look at each case on its own merits to determine what, if any, action is appropriate.

Q. Korean pipe and tube producers are also abusing the CBI trade preference to ship more pipe and tube to the United States, thus circumventing the President's steel import-restraint program. For example, Korean black steel pipe is being shipped to Costa Rica where it undergoes processing and is subsequently imported into the United States by American companies as a product of Costa Rican origin. What might be done to prevent the diversion of Korean pipe and tube through CBI countries and to stop further abuses of CBI trade preferences and the circumvention of the President's steel program?

A. We are examining each and every one of these activities very carefully to guard against any transshipment or circumvention. If, in fact, legitimate product transformation occurs in a CBI country, utilizing many man-hours of labor, to the extent that an entirely new product is created, we find it hard to agree that an exporter is merely attempting to circumvent the steel program. On the other hand, we will be carefully examining entries where smaller amounts of processing occur. If only minor processing is occurring, however, the product will continue to be considered to have originated in the initial exporting country, and the product will be counted against the exporting country's quota, if appropriate. As you may know, Customs recently rejected the request referred to in your question that Korean pipe processed in Costa Rica be considered a product of Costa Rica. Customs will continue to view these requests in a similar manner.

On September 26, Prime Minister Mulroney proposed bilateral trade negotiations on the "broadest possible package of mutually beneficial reductions in barriers to trade in goods and services." As you know, Canada is both our largest trading partner and our fastest growing export market, representing one fifth of our total exports.

We have welcomed the Prime Minster's proposal for trade talks as consistent with the efforts of both the Administration and the Congress to open foreign markets for U.S. exporters. Therefore, on December 10, the President formally notified the Senate Finance and the House Ways and Means Committees of the Administration's interest in entering such negotiations. If neither Committee disapproves of such talks, negotiations could begin by late spring.

U.S. industry faces a number of barriers in attempting to do business in Canada, including:

- high Canadian tariffs across a wide spectrum of products which act as major impediments to U.S. exports;
- nontariff barriers at both the federal and provincial level which effectively preclude many U.S. exports from entering the Canadian market;
- obstacles to U.S. investment;
- federal and provincial regulations which impede U.S. exports of services;
- inadequate protection of intellectual property (trademarks, patents, copyright).

In addition, a great many U.S. industries and Members of Congress have expressed concern over a number of governmental assistance programs, both federal and provincial, which allegedly result in subsidized competition. We have been urged to obtain in any bilateral discussions agreement on procedures to limit the use of subsidies.

QUESTION 6:

Pacific Basin countries represent a multibillion dollar market for U.S. products and services, yet numerous tariff and non-tariff barriers prevent American exports from entering these countries. What is the USTR doing to reduce trade obstacles in these countries so that more U.S. exports can compete in this market?

ANSWER:

The Administration has long embarked on an active campaign to open markets in the Pacific Rim to U.S. goods and services. We believe that there are a number of trade restrictions which, in light of the region's level of economic development, are no longer appropriate for Japan and other advanced developing economies of the Pacific Rim. Since the President announced his trade action plan last September, USTR has intensified its efforts to eliminate unfair trade practices abroad and to resolve trade disputes in ways which would open up export opportunities for U.S. manufacturers, farmers, and services firms. We have been actively engaged in many bilateral negotiations with our Asian trading partners. While the process is unfinished, and undoubtedly will continue for a long time, we already have achieved some key concessions from the Pacific Rim countries.

In the case of Taiwan, we successfully obtained a unilateral tariff reduction by the Taiwanese government on more than 100 products of interest to U.S. exporters, including raisins, almonds, chocolate confectionary, wood products, leather goods, and cosmetics. We also negotiated and reached an agreement in which Taiwan's import restrictions on alcoholic beverages and cigarettes are being liberalized significantly. Imports of U.S. beer, wine, and cigarettes are now permitted and determined by market demand. Taiwan also agreed to further steps to open its insurance market for property casualty and marine cargo underwriting for U.S.-Taiwan joint ventures. Furthermore, as a result of extended consultations, the authorities in Taiwan included many elements of importance to the U.S. (ie., protection for computer software) in recently enacted improvements to their copyright laws, and this month will submit legislation providing product patent protection for chemicals and pharmaceuticals. This has been a key objective of U.S. intellectual property efforts during the past three years.

With South Korea, we were able to obtain unilateral tariff reductions on a number of U.S. products requested by our private sector (e.g. velveteen, corduroy, certain chemicals and glassware). They have also agreed to liberalize Korea's import license restrictions on fresh cherries, almonds, fresh grapefruit, machine tools and construction equipment. In response to requests by the U.S. motion picture industry, the Koreans eliminated import quotas on foreign motion pictures and the ceiling limit on movie royalties. Korea has agreed to allow U.S. firms to write compulsory automobile insurance. We self initiated a section 301 case against Korea on life and fire insurance, as well as another one on its inadequate protection of intellectual property. We are continuing consultations with Korea on both these cases.

We also held consultations on the strengthening of intellectual property protection in Singapore, Hong Kong, Thailand, Malaysia, Indonesia, and India. As the result of U.S. efforts, we expect that both Singapore and Malaysia will soon enact amendments to its copyright law that will benefit U.S. copyright interests considerably.

Despite a year of intensive high-level negotiations, Japan remains our toughest trading partner in the Pacific. We have negotiated with the Japanese in many sectors, and in some instances have accelerated our efforts by self initiating section 301 cases. For example, section 301 cases were self-initiated in September on leather and leather footwear and on tobacco. The leather and leather footwear case was resolved in December. The settlement was a good one because it was a market-opening one that will result in increased market access for U.S. manufacturers. It includes tariff cuts on about 150 items, tariff binding on more than 200 other items, and tariff cuts on priority items in aluminum as well as talks on aluminum related issues. As a result of the leather and leather footwear settlement, talks on aluminum are well underway. Consultations on tobacco are also underway with two U.S.-Japan meetings have taken place recently. We are also engaged in intensive negotiations to resolve the semiconductors 301 case filed by U.S. industry.

We continue to hold the market-oriented, sector-specific (MOSS) talks on electronics and forest products. MOSS talks in two other sectors--telecommunications and medical equipment and pharmaceuticals-- have been fruitful and the focus has shifted to an implementation phase. We are conferring with the Japanese to name new sectors for more MOSS talks. In addition to resolving each specific issue, we are endeavoring to persuade Japan that the trade balance will not change sufficiently without its fundamental commitment to increase its imorts of manufactured goods.

Answers to Mr. Regula's Questions

Question: What are that exact targets for achieving the goals under the President's voluntary restraint agreements program for steel?

Answer: There have never been any "exact targets". President Reagan directed the Office of the U.S. Trade Representative to negotiate agreements with those countries selling steel unfairly in the U.S. market. He announced that it was his expectation that, as a result of this program, import penetration of finished steel would decline to 18.5 percent of the U.S. market. He further indicated that it was his expectation that imports of semi-finished steel would be limited to 1.7 million tons per year. These figures were what he expected to occur, not guarentees or even targets.

Question: What specifically is being done to counter the "sham" of sending U.S. steel imports through third countries to avoid the VRA quotas of the steel producing country?

Answer: There is no such "sham". Several months ago the steel industry gave much publicity to the fact that imports were entering from certain countries that did not even produce steel, and that this was proof that transshipping was occurring. Nothing could be further from the truth, and the steel industry has known this all along. We have throughly analyzed each of these notorious entries and found that in every case there has simply been a key-punch error by the clerks at Census. You should know that the amount of steel involved here is very small in any case, less that 10,000 tons in an environment of 20 million tons of annual imports.

There is a separate issue that has arisen in which countries may attempt to "substantially transform" steel goods in a third country before entering into the U.S. This is a more serious issue. If there is substantial transformation in a third country that really does change the identity of the product (ie, from a steel sheet into a refrigerator) it is difficult to conclude that some conspiracy is involved just to avoid the quotas. If, on the other hand, only the smallest amount of transformation occurs, appropriate counter-measures by the U.S. Government may be warranted. We are currently examining our options in this area.

Question: Is U.S. Customs sufficiently staffed to deal with these third country "shams"? Are there enough people and are they talented to recognize and deal with this problem? What is the strategy?

Yes, Customs is sufficiently staffed. Furthermore, the people at Commerce who are administering the VRA program have been working very closely with Customs to identify any possible transshipping. Procedures are being put in place to ensure that the Customs agents on the docks are as well equipped as possible to spot this practice.

Q. I have long been concerned about the lack of free world defense burdensharing. For example, if the U.S. has invested just 1 percent of its GNP for defense (as does Japan) over the last ten years, we would have had nearly $1.5 trillion to reinvest in our industries. In 1985 alone, the U.S. would have had $199 billion for revitalization under Japan's defense spending formula. I think that the trade imbalance go hand-in-hand and that their solutions must be linked. I am interested in your comments on this observaton and your response to how the Administration is dealing with each. Have efforts been made to respond to these two problems together?

A. The Administration is firmly opposed to the linkage of our trade problems and our defense relationship with Japan. As other Administration representatives have previously testified before the Congress, we believe that Japan should carry a greater share of our common defense burden. To this end, we have focussed on the importance of Japan fulfilling its agreed defense roles and missions rather than on a percentage of GNP or specific spending levels. While the frustration with the growing bilateral trade imbalance with Japan has led some to seek a linkage between the two areas, we believe that a more constructive approach involves continued efforts to address and resolve the problems that restrain American exports to and limit market share in Japan.

TUESDAY, FEBRUARY 18, 1986.

U.S. INTERNATIONAL TRADE COMMISSION

WITNESSES

PAULA STERN, CHAIRWOMAN
DAVID B. ROHR, COMMISSIONER
ALFRED E. ECKES, COMMISSIONER
SEELEY LODWICK, COMMISSIONER
ANNE BRUNSDALE, COMMISSIONER
RICK ARNOLD, DIRECTOR, FINANCE AND BUDGET

Mr. SMITH. Next we will hear from the International Trade Commission.

We have with us the Chairwoman, Paula Stern. The budget request this year is $29,700,000, and that represents $2,330,000 decrease from the adjusted appropriation for 1986 after the sequestration. I think it might be well to get into this hearing, if you would very briefly explain to us what the International Trade Commission does.

I find among my colleagues in Congress, they somehow think that you set all quotas and tariffs and you issue all kinds of orders. Why don't you explain to us what you do.

[The budget justification of the ITC follows:]

59-301 O—86——6

UNITED STATES INTERNATIONAL TRADE COMMISSION

BUDGET JUSTIFICATION

FISCAL YEAR 1987

General Statement

The United States International Trade Commission's budget request for fiscal year (FY) 1987 is for an amount comparable to that requested for FY 1986, increased only for adjustments to the budget base. The Commission's request for FY 1987 is for an appropriation of $29,700,000, $1,100,000 more than the amount for FY 1986, which is necessary to meet required nondiscretionary cost increases. The number of permanent positions will remain at the FY 1986 level of 482.

The International Trade Commission is an independent, quasi-judicial agency that performs a unique role within the Federal government. The Commission's major responsibilities include: (1) statutory trade-related investigations under the Tariff Act of 1930, Agricultural Adjustment Act, Trade Act of 1974, the Trade Agreements Act of 1979 and the Trade and Tariff Act of 1984; (2) providing the Congress with independent, expert advice to assist it in carrying out its constitutional authority to regulate international trade; (3) responding to requests from the Congress and the President on and advising them of impending matters affecting international trade, and assisting the Congress and the President in the development and implementation of U.S. international trade policy; (4) the maintenance of the Tariff Schedules of the United States Annotated (TSUSA); and (5) a number of other specific statutory duties and responsibilities ranging from research and analysis to quasi-judicial functions on trade-related matters. It is imperative, therefore, that the Commission maintain a high degree of expertise and a readiness capability so that it can act expeditiously with respect to almost any article involved in international trade.

The Commission has attempted to restrict its appropriation request despite a continued increase in workload. As in past years, an expenditure plan for the current fiscal year was developed at the same time the budget request for the ensuing fiscal year was being formulated. This procedure is extremely important as the Commission does not have control over the volume and timing of a majority of the work it receives, yet must meet constantly changing demands and at the same time complete the work within statutory deadlines. By taking into account updated information on external workload requirements, we are able to redefine our priorities and plan activities for both fiscal years. If external demands vary materially from planned levels, resource allocations can be shifted among individual activities so that statutory responsibilities will be met. Through this resource management, and through continued administrative improvements, the Commission has been able to effectively complete its responsibilities while holding total resource requests to absolute minimums.

In past years the Commission had maintained a traditional 8%-10% vacancy rate in its staffing levels. This is no longer acceptable because the skyrocketing caseload at the Commission has become a routine occurrence. The Commission intensified its recruitment activities to assure that resources were available to meet our statutory responsibilities. By May 1984, we had 429 of the 438 authorized positions filled, a vacancy rate of only 2%. In August 1984, at the time 44 new positions were authorized, the Commission had an on-board staffing level of 435 of the 438 authorized positions, a vacancy rate of less than 1%. During FY 1985 the Commission filled 44 new positions, and at the end of FY 1985 473 of the 482 authorized positions were filled. Excluding five positions being held for the vacant Commissioner and related staff appointments, the vacancy rate remained at less than 1%. This full staffing achievement, which enabled the Commission to relieve overwork in many areas with improved staffing management, is reflected in the overall work-year increase in the budget request.

Statutory Investigations

Our investigative caseload expanded dramatically in FY 1982, and has continued to increase every year since then. In FY 1985 the Commission worked on 338 cases, an increase of 192 over what it was in FY 1981, placing a substantial burden on Commission staff. The caseload is expected to continue to increase through FY 1987, along with the trend toward more complex cases, despite a period of economic recovery. Further, the filing of several section 201 cases already this fiscal year seems to indicate a trend to an increased use of the import injury statutes. In addition, the Commission is receiving a higher number of petitions on agricultural products which indicates growing problems within that sector.

The Commission's actual investigative caseload for FY 1981-FY 1985 and projections for FY 1986 and FY 1987, are as follows:

FY	Caseload
1981	146
1982	1/ 340
1983	266
1984	283
1985	2/ 338
1986	314 est.
1987	324 est.

1/ Includes 92 carbon steel cases which could be packaged for investigative purposes.
2/ Includes 35 carbon steel cases which could be packaged for investigative purposes.

The changing nature of world trade requires the Commission to continue developing new expertise in subjects of emerging importance. The U.S. is competing in a global market, and Commission analysts must study global competitive conditions, not simply the American market, to assess properly what is happening to U.S. foreign trade. During FY 1985 the Commission conducted investigations that affected not only large segments of U.S. industry, but producers throughout the world. These investigations included footwear, agricultural products, steel products, chemicals, fabrics, and paper products. We are currently conducting investigations in high-technology areas which could have significant industrial effects.

The trade issues which we are likely to be asked to study are increasing in number and complexity. Such issues of major concern to the Administration and the Congress include: (1) non-tariff measures such as licensing, standards, government procurement, and subsidies which affect trade in commodities; (2) barriers to trade in services, such as insurance and banking, construction, consulting, telecommunications, data processing, transportation, tourism, and equipment leasing and rentals; (3) barriers to and efforts to encourage foreign investment; (4) technology transfer; (5) increasing countertrade; (6) unfair trade practices such as counterfeiting; and (7) areas emerging with new importance such as biotechnology, robotics and telecommunications.

Information and Assistance

It was emphasized by the Senate Committee on Finance in their report on the Trade Act of 1974 that providing assistance to the Congress and other U.S. trade policymakers is one of the Commission's primary responsibilities under the Tariff Act of 1930. This work arises as a consequence of the Commission's unique position as a repository of technical information and professional skills in international trade matters such as tariffs, nomenclature, and the effect of imports on domestic industries. Among the ways we have met this mandate is through our "trade monitoring" program. This program includes quarterly reports that analyze significant trade shifts in commodity areas; the tracking and reporting of major bilateral and multilateral trade policy developments; and East-West trade monitoring. These analyses are used by trade policymakers in both the legislative and the executive branches in understanding significant trade shifts and the reasons behind them. The Commission also provides detailed technical assistance to the President, Congress, and those administering the trade agreements program, which often requires unique expertise. The Commission is also required to assist other executive branch agencies in matters within its competence.

Tariff Schedules and Other Nomenclature Activities

Pursuant to section 201 of the Tariff Classification Act of 1962, the Commission maintains several of the basic components of the Federal government's trade information data base, and is responsible for maintaining and publishing the Tariff Schedules of the United States Annotated (TSUSA). We are taking a leading role in using current computer technology to make up-to-date trade data available when needed, not only to Commission staff engaged in trade monitoring, but also to our investigators and researchers, and to an increasing number of U.S. trade policy officials. This service is provided to other Federal agencies through the Trade Policy Staff Committee Information System.

As a related responsibility, Commission representatives have participated as members of the U.S. delegation to the Harmonized System Committee since 1974, and will remain heavily involved in the preparation of data for U.S. consideration of the Harmonized System and in the related GATT negotiations. Commission representatives will also continue their participation in bilateral meetings with the European Community and our other trading partners to assure recognition of the needs of the United States. The Commission, in response to a Presidential request, in June 1983 submitted a report including a draft conversion of the Tariff Schedules of the United States (TSUS) into the nomenclature structure of the Harmonized System. While the primary responsibility for implementation is with the United States Trade Representative, the Commission continues to be heavily involved in making revisions to the draft conversion, maintaining necessary documentation for U.S. adoption, supporting the U.S. position in related GATT negotiations, publishing and updating the explanatory notes, and preparing a final report for the Congress. Maintenance of the Harmonized System tariff schedules will be a continuing responsibility of the Commission if it is adopted.

Increased Responsibilities

The Trade Agreements Act of 1979 led to a substantial increase in the work of the Commission. Its provisions require the Commission to make both preliminary and final injury determinations in countervailing duty and antidumping cases. The Commission's caseload was further increased as a result of the Trade and Tariff Act of 1984, through changes to the provisions that affect Commission investigative proceedings under the Tariff Act of 1930 and the Trade Act of 1974. Our investigative workload, which has more than doubled since FY 1981, is becoming more complex as we encounter new high-technology products. Due to the emergence of newly industrialized countries, such as Taiwan, Korea and Brazil, the number of countries involved in our cases is increasing. In addition to impacting on our investigative caseload, the Trade and Tariff Act of 1984 also established a trade remedy assistance function in the Commission to provide information on trade remedies available and the petition and application procedures required.

The United States trade deficit for calendar 1986 is estimated to again surpass the all-time record level of the prior year. The continuation of this trade imbalance could have a dramatic impact on all areas of Commission responsibility. To meet these responsibilities the Commission must develop and maintain sufficient staff resources necessary to conduct complete professional investigations. The Commission must be able to reduce both complex issues and conflicting information to understandable terms in order to provide thorough, effective analyses and to make useful, informative reports to the Congress and President whenever information is required.

Responsible resource management and the use of modern office technology, is equipping the Commission to handle the continued heavy investigative caseload and other increasing responsibilities. Over the years the Commission has established a reputation for impartial and objective factfinding and quasi-judicial determinations. This requested budget is necessary for us to maintain our standards of quality and objectivity, and to meet our statutory obligations in the years immediately ahead when trade will continue to be such a critical issue to the nation.

Federal Managers' Financial Integrity Act

In compliance with the Federal Managers' Financial Integrity Act, the Commission has completed its vulnerability assessments and two-thirds of the internal management control reviews to assure that adequate controls exist in both program and administrative activities. The Commission has begun the effort to contract for internal audit services, with the contract scheduled to be awarded in late spring or early summer of 1986, and the first audit later that year. This schedule was reported in the 1985 Integrity Act report to the Congress and the President.

Relocation

The U.S. International Trade Commission currently is housed in three separate office buildings in Washington, D.C. Public Law 98-523, (October 19, 1984) transfers the Commission's headquarters building at 701 E Street, N.W. to the Smithsonian Institution and requires the General Services Administration (GSA) to relocate all Commission functions to a single downtown Washington, D.C. office facility. It also provided that the Chairman of the Commission shall have full opportunity to consult with the Administrator of GSA, participate jointly in surveys of available buildings, and submit views and recommendations with respect to space suitable for the Commission's operations. In anticipation of the relocation, Commission staff has worked for over a year with GSA to find a new location for 170,000 square feet of net usable space in a leased building. An identification of a new location is expected in January 1986.

It is expected that the timing of the process described above will result in the Commission relocating sometime during FY 1987. Although we expect that GSA will provide for some of the relocation costs, the Commission may have to bear the expense of adapting the new space for our unique requirements. These include special facility features such as courtrooms for Commission and Administrative Law Judge hearings, on-site computer, word processing, and printing facilities, and libraries. Since a definite site or relocation date had not been determined when the budget request for FY 1987 was submitted, Commission costs related to the move were not included. As the timing of the relocation becomes more definite and a particular building has been selected, the Commission may be required to request additional funding for FY 1987, or a supplemental appropriation for FY 1986.

INTERNATIONAL TRADE COMMISSION

Federal Funds

General and special funds:

SALARIES AND EXPENSES

For necessary expenses of the International Trade Commission, including hire of passenger motor vehicles and services as authorized by 5 U.S.C. 3109, and not to exceed $2,500 for official reception and representation expenses, $29,700,000.

Summary of Requirements

(in thousands of dollars)

FY 1986 appropriation		$28,600
Adjustments to base and built-in changes:		
Within-grade step increases and reclassifications	422	
Increase in temporary staffing	30	
Estimated increase in requirements for additional space (66), communications and equipment rental (116), printing and reproduction (19), other services (33), and supplies and materials and equipment (49)	283	
GSA space rental rate adjustments	365	
Total, adjustments to base and built-in changes		1,100
Appropriation requested for FY 1987		$29,700

Total requirements, by program

(Dollar amounts in thousands)

Activity	FY 1985 actual		FY 1986 appropriation		FY 1987 base		FY 1987 estimate		Increase (+) or decrease (-) from FY 1987 base	
	Work-years	Amount	Work-years	Amount	Work-years	Amount	Work-years	Amount	Work-years	Amount
1. Public investigations and research studies:										
A. Import injury (Trade Act (TA) of 1974)	7	362	14	756	14	765	14	765	-	-
B. Interference with agricultural programs (AAA)	5	290	5	323	5	327	5	327	-	-
C. Antidumping and countervailing duty (title VII of the Tariff Act of 1930 and the Trade Agreements Act of 1979)	69	3,614	80	4,527	83	4,727	83	4,727	-	-
D. Unfair import practices (section 337, Tariff Act of 1930, and sections 301(c), 301(e) and 603, TA of 1974)	48	2,786	50	3,127	51	3,384	51	3,384	-	-
E. Probable economic effects of concessions or preferential duty-free treatment (TA of 1974)	5	255	11	605	6	332	6	332	-	-
F. Under section 332 of the Tariff Act of 1930 1/	78	4,039	71	3,994	77	4,310	77	4,310	-	-
Total public investigations and research studies	212	11,346	231	13,332	236	13,845	236	13,845	-	-
2. Technical information and assistance:										
A. Provided to the Congress	12	616	11	603	11	612	11	612	-	-
B. Provided to other Federal agencies and the public	26	1,214	24	1,225	24	1,247	24	1,247	-	-
C. Relating to trade agreements activities	20	1,158	19	1,091	17	1,021	17	1,021	-	-
Total technical information and assistance	58	2,988	54	2,919	52	2,880	52	2,880	-	-
3. Recurring reports and services:										
A. Trade monitoring	21	1,068	29	1,528	29	1,549	29	1,549	-	-
B. Synthetic organic chemicals reports	6	262	9	437	9	445	9	445	-	-
C. Summaries of trade and tariff information	8	387	17	835	17	846	17	846	-	-
D. TSUSA, Harmonized System and other nomenclature and classification activities—1/	20	1,114	24	1,524	25	1,649	25	1,649	-	-
E. Other recurring reports and services	10	483	9	486	9	492	9	492	-	-
Total recurring reports and services	65	3,314	88	4,810	89	4,981	89	4,981	-	-
4. Assembling and analyzing economic and technical information:										
A. Information resources management	29	1,356	32	1,560	33	1,632	33	1,632	-	-
B. Professional assembly and analysis of information	24	1,158	21	1,130	22	1,165	22	1,165	-	-
Total assembling and analyzing economic and technical information	53	2,514	53	2,690	55	2,797	55	2,797	-	-
5. Administration	62	2,588	59	2,633	56	2,594	56	2,594	-	-
6. Executive direction 2/	34	2,155	36	2,466	38	2,603	38	2,603	-	-
Total work-years and obligations	484	24,905	521	28,850	526	29,700	526	29,700	-	-
Less: Reimbursements	-	-90	-	-250	-	-	-	-	-	-
Net obligations		24,815		28,600		29,700	-	29,700	-	-

1/ Work on the Harmonized System, although designated as an investigation under section 332, is reported under recurring reports and services because of the nature of the tasks involved.

2/ The actual time charged in FY 1985 is less than the planned rate for FY 1986 and FY 1987 due to delays in the appointment of new Commissioners.

Summary of investigative workload, by type of investigation 1/

	FY 1981 actual	FY 1982 actual	FY 1983 actual	FY 1984 actual	FY 1985 actual	FY 1986 estimate	FY 1987 estimate
Import injury, sections 201, 203, and 406, TA of 1974	8	10	4	6	2	8	5
Interference with agricultural programs, Agricultural Adjustment Act	3	2	1	1	3	3	3
Antidumping and countervailing duty, title 7, Tariff Act of 1930	56	2/ 248	159	151	3/ 217	188	188
Unfair import practices, section 337, Tariff Act of 1930, and section 603, TA of 1974	43	44	59	75	61	51	59
Probable economic effects of concessions or preferential duty-free treatment, TA of 1974	6	4	3	2	3	3	2
Investigations and research studies, section 332, Tariff Act of 1930	30	32	40	48	52	61	67
Total	146	2/ 340	266	283	3/ 338	314	324

1/ Includes completed and pending cases.
2/ Includes 92 carbon steel cases which could be packaged for investigative purposes.
3/ Includes 35 carbon steel cases which could be packaged for investigative purposes.

Number of investigations completed in FY 1985, by commodity

Import injury (sections 201, 203 and 406, Trade Act of 1974):	
Potassium permanganate	1
Footwear	1
Total	2
Interference with agricultural programs (section 22, Agricultural Adjustment Act):	
Tobacco	1
Sugar	1
Total	2
Antidumping (title 7, Tariff Act of 1930):	
Steel and manufactures thereof	90
Other metals and manufactures thereof	12
Chemicals	11
Electric and electronic products	5
Agricultural and fish products	3
Fabrics and laminates	3
Paper products	3
Pianos	1
Paint brushes	1
Total	129
Countervailing duty (title 7, Tariff Act of 1930 and section 104 of the Trade Agreements Act of 1979):	
Steel and manufactures thereof	37
Other metals and manufactures thereof	7
Agricultural and fishery products	7
Chemicals	5
Fabrics and laminates	3
Paper products	1
Total	60
Unfair import practices (section 337, Tariff Act of 1930, and section 603, Trade Act of 1974):	
Electric and electronic products	13
Medical products	7
Metals and manufactures thereof	6
Sporting goods and toys	5
Food-related products	4
Systems and apparatus	3
Other consumer goods	2
All other	6
Total	46
Probable economic effects of concessions or preferential duty-free treatment (sections 131 and 503, Trade Act of 1974)	3
Total	3
Investigations and research studies (section 332, Tariff Act of 1930):	
Commodities	14
Geographic areas	2
Technology	2
Transportation	2
Statistics	2
Convict labor	1
Generalized system of preferences	1
Targeting	1
Rules of origin	1
Pricing	1
Total	27
Total investigations completed	269

ACTIVITY 1 - PUBLIC INVESTIGATIONS AND RESEARCH STUDIES

PROGRAM ANALYSIS

(Dollar amounts in thousands)

Activity	FY 1985 actual		FY 1986 appropriation		FY 1987 base		FY 1987 estimate		Increase(+)or decrease (-) from FY 1987 base	
	Work-years	Amount	Work-years	Amount	Work-years	Amount	Work-years	Amount	Work-years	Amount
1. Public investigations and research studies:										
A. Import injury	7	362	14	756	14	765	14	765	-	-
B. Interference with agricultural programs	5	290	5	323	5	327	5	327	-	-
C. Antidumping and countervailing duty	69	3,614	80	4,527	83	4,727	83	4,727	-	-
D. Unfair import practices	48	2,786	50	3,127	51	3,384	51	3,384	-	-
E. Probable economic effects of concessions	5	255	11	605	6	332	6	332	-	-
F. Under section 332, Tariff Act of 1930	78	4,039	71	3,994	77	4,310	77	4,310	-	-
Total public investigations and research studies	212	11,346	231	13,332	236	13,845	236	13,845	-	-

Import injury investigations

These investigations are conducted pursuant to sections 201, 203, and 406 of the Trade Act of 1974. Under section 201, domestic industries may be eligible for import relief if the Commission determines that increased imports are a substantial cause of serious injury. "Review" investigations under section 203 of the Trade Act of 1974 are made with respect to an industry which has been granted relief under section 201, and reports are submitted to the President on the probable economic effect of modifying, extending or terminating the relief that is in effect. Section 406 of the Trade Act of 1974 authorizes investigations concerning market disruption by imports from nonmarket countries.

Two import injury investigations were completed during FY 1985; one on potassium permanganate and one on nonrubber footwear. Since then, petitions for section 201 investigations have been filed on wood shakes and shingles, electric shavers, and a number of iron, steel, and bronze foundry products. We anticipate that the caseload for import injury investigations will increase in FY 1986 and FY 1987, to the pre-FY 1985 level. This level of activity would require resources of 14 work-years and $756,000 in FY 1986 and 14 work-years and $765,000 in FY 1987, compared with the 7 work-years that were expended in FY 1985.

Investigations of interference with agricultural programs

Section 22 of the Agricultural Adjustment Act authorizes the President to impose fees or quantitative limitations on imports of any articles which he finds are rendering ineffective, or interfering with certain programs of the Department of Agriculture, with a precondition that the Commission conduct investigations and make reports and recommendations to the President. Whenever restrictions are imposed, the Commission may conduct additional investigations regarding modification of those measures at the request of the President.

During FY 1985 the Commission completed two section 22 investigations; one on tobacco and one on sugar. Another investigation, on articles containing sugar, has been completed thus far in FY 1986 and we anticipate that two will be completed in both FY 1986 and FY 1987. This level of activity would require the use of 5 work-years in each year and $327,000 for FY 1987.

Antidumping and countervailing duty investigations

Beginning in January 1980, the Trade Agreements Act of 1979, directly and through amendments to the Tariff Act of 1930, imposed a number of requirements affecting the conduct of antidumping and countervailing duty investigations. Similar investigations had been carried out in accordance with the Antidumping Act, 1921, and section 303 of the Tariff Act of 1930 prior to 1980. In general, the Department of Commerce is required to determine whether sales at less than fair value have occurred (antidumping cases) or whether a subsidy is being provided with respect to the manufacture, production, or exportation of merchandise imported into the United States (countervailing duty cases). The Commission makes determinations as to whether an industry in the United States is materially injured or threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports of the merchandise which is the subject of an investigation. We make the following specific determinations:

1. a preliminary "reasonable indication of material injury" determination within 45 days of the filing of a petition;

2. if the Commission's preliminary determination is affirmative, a final injury determination, either 45 or 75 days after the Commerce Department's final affirmative determination of sales at less than fair value or subsidy (the time limit for the Commission's investigation depends on whether the Commerce Department's preliminary determination was affirmative or negative); and

3. if requested, a determination as to whether an agreement reached by the Commerce Department to correct the damage resulting from sales at less than fair value or from a subsidy has completely eliminated the injurious effects of imports of the affected merchandise. A subsequent review of such agreements, or in certain instances of previous final determinations, also may be required on the basis of changed circumstances.

Among the transition provisions of the Trade Agreements Act of 1979 was that upon petition, the Commission must make injury determinations for over 40 outstanding countervailing duty orders for which an injury determination was not required under the prior law. The last of these cases was completed during FY 1985.

The caseload of antidumping and countervailing duty investigations rose sharply in FY 1985 (by more than 40 percent). To some extent the increase resulted from the filing of petitions covering imports of the same products (primarily carbon steel products) from multiple countries. These cases may be "packaged" for purposes of conducting the required investigations in such a way that the amount of staff investigative effort per investigation is less than that required in typical investigations where packaging is not possible. Consequently, work-years expended by the Commission on antidumping and countervailing duty investigations rose by only 12 percent from 62 in FY 1984 to 69 in FY 1985.

A total of 217 antidumping and countervailing duty investigations were worked on in FY 1985. The FY 1986 caseload is projected at 188, which represents an increase in workload over the prior year, after removal of the cases that could be "packaged". The FY 1987 workload is expected to remain at that same high level and require the same intensive effort due to the continued variety and complexity of cases. In FY 1987 the Commission will require 83 work-years and $4,727,000 for this activity, compared to 80 work-years and $4,527,000 in FY 1986.

Unfair import practice investigations

Section 337 of the Tariff Act of 1930, as amended by section 341 of the Trade Act of 1974, provides for investigation by the Commission of alleged unfair methods of competition and unfair acts in the importation of articles into the United States, or in their sale.

The Commission must complete investigations under this statute within 1 year (18 months for more complicated cases), and the investigations are required to be conducted as record proceedings using administrative law judges in conformity with the provisions of the Administrative Procedure Act. Section 337 investigations may be instituted on the complaint of a private party or, in the absence of such a complaint, on the Commission's initiative. The Commission may order that a respondent cease and desist from engaging in the unfair practices, the violation of which is punishable by civil penalties of up to $10,000 per day or the domestic value of the articles entered or sold. It also has the power to issue an order of exclusion barring the imported product from entry. These orders are subject to disapproval by the President for policy reasons. The Commission also may provide for temporary relief while the investigation proceeds. Commission determinations may be appealed to the Court of Appeals for the Federal Circuit.

The Commission may initiate preliminary investigations under section 603 of the Trade Act of 1974 to determine whether to institute investigations. The Commission may also initiate informal inquiries designed to establish data for use in determining whether or not institution of an investigation under the terms of section 337 or section 603 is appropriate.

The Commission's budget request (1) provides for continued heavy demand for investigations under section 337 of the Tariff Act of 1930 and section 603 of the Trade Act 1974; and (2) takes account of improved internal procedures for litigation, enforcement, procedural rulemaking, and liaison activities. The complexity of section 337 investigations, as well as the requirements of the Trade Act of 1974 that determinations be on the record and comply with the Administrative Procedure Act, adds to the staff efforts for each investigation. Also, resources are required for litigation, as the Commission is represented by its own attorneys in district courts and in the Court of Appeals for the Federal Circuit.

During FY 1985 the Commission had 61 active unfair import practice cases. Though only 51 cases are projected for FY 1986, the workload for this activity has continually become more complex. Section 337 investigations are expected to increase, with current FY 1987 workload projections being 59 cases, an increase of 15% over FY 1986. Further increases in this area are expected.

In FY 1987 the Commission will use 51 work-years and $3,384,000 for this activity, compared to 50 work-years and $3,127,000 in FY 1986.

Investigations of probable economic effects of concessions or preferential duty-free treatment

Under the Trade Act of 1974, Trade Agreements Act of 1979 and the Trade and Tariff Act of 1984, the Commission must conduct investigations at the request of the President in regard to articles which may be considered (1) in negotiations for modifications of duty or (2) for designation as eligible articles in connection with the Generalized System of Preferences (GSP) for developing countries. These investigations provide Government trade officials with factual economic appraisals and probable effects of various options which may be exercised in the formulation and/or modification of U.S. trade and tariff policy.

During FY 1985 the Commission's workload in this area consisted of three investigations concerning both trade agreement concessions and GSP activities.

In FY 1986, it is expected that the Commission will be required to initiate studies in this category such as: (1) the complex annual GSP review, (2) a study regarding a U.S./Canada trade agreement, (3) probable effects advice on the implementation of new GSP items under the Harmonized System, and (4) a study related to the effects of granting temporary concessions as compensation for import relief.

In FY 1986 the Commission will use 11 work-years and $605,000 due to initiation of new studies in this activity. FY 1987 is expected to be a more normal year with an annual GSP review and possibly a section 123 or 131 study and will require 6 work-years and $332,000.

Investigations and research studies under section 332 of the Tariff Act of 1930

Section 332 of the Tariff Act of 1930 directs the Commission to make such investigations and reports as may be requested by the President, the House Committee on Ways and Means, the Senate Committee on Finance, or either branch of Congress, and authorizes the Commission to initiate investigations on its own motion. As required by law, the Commission must conduct these investigations when requested by the Congress or the President and should carry out other investigations and studies of trade matters on its own initiative in order to be better prepared to provide in-depth information for trade policymakers when it is requested. The Commission initiates investigations on its own motion after consultations with congressional committees and the executive branch. The investigations normally include (1) data and information gathering through fieldwork, questionnaire surveys, hearings, and other sources, (2) data compilation and analysis, and (3) report writing.

Section 332 investigations have constituted one of the Commission's most important and demanding fields of endeavor. The need for expert, independent analysis of international trade issues has been accelerating in the post-Tokyo-round years, in line with increases in the number and complexity of the problems addressed by trade policy makers in Congress and the executive branch. Many factors are combining to make careful analysis of trade issues a high priority: the apparent increased vulnerability of the U.S. economy to changes and trends originating outside our borders has focused public attention on the role of international trade and adjustment; the entrance of vigorous new competitors into the world export markets has complicated our trade relations; basic disagreements among nations on how and how much governments should intervene in their economies in ways that affect their trading partners continue to generate record numbers of trade disputes; the faster spread of technology has accelerated the rate at which competitiveness and jobs shift among industries and countries; and new efforts to broaden the scope of multilateral discipline on trade to include services and intellectual property require sound analysis of the issues and problems in these nontraditional trade areas.

Recent studies completed for the Congress include: The Impact of Tariff and Nontariff Barriers on the U.S. Sheet Vinyl Flooring Industry; Conditions of Competition Between Certain Domestic and Imported Fabricated Structural Steel Products; Conditions of Competition Between the U.S. and Canadian Live Swine and Pork Industries; Conditions of Competition Between the U.S. and Major Foreign Filbert Industries; World Trade Flows in Major Agricultural Products; The Effects of Semifinished Steel Imports on the Iron and Steel Scrap Industry; Analysis of the International Competitiveness of the U.S. Commercial Shipbuilding and Repair Industries; Potential Effects of Foreign Governments' Policies of Pricing Natural Resources; Possible Effects of and Recommendations of Proposed Tariff Reclassification of Catalytic Napthas and Other Motor Field Blending Stocks; Competitive Assessment of the U.S. Ball and Roller Bearing Industry; Review of Effectiveness of Trade Dispute Settlement Under the GATT and Tokyo Round Agreements; The Competitive Position of U.S. and European Community Pork in the U.S. and Third Country Markets; and The Effects of Restraining U.S. Steel Imports on the Exports of Selected Steel Consuming Industries.

Recent studies completed for the President include: Conditions of Competition Affecting the Northeastern U.S. Groundfish and Scallop Industries in Selected Markets; Competitive Assessment of the U.S. Foundry Industry; Probable Economic Effect of Providing Duty-Free Treatment for Imports from Israel; Headwear of Cotton and of Manmade Fibers; The Impact of Rules of Origin on U.S. Imports and Exports; Probable Economic Effect of Providing Duty-Free Treatment for Selected Imports from Canada; Probable Economic Effects of Providing Duty-Free Treatment for U.S. Imports of Certain High Technology Products; Conditions of Competition Affecting the U.S. Gulf and South Atlantic Shrimp Industry; Conditions of Competition in Air and Surface Cargo Transportation Services Between Japan and the United States; Flat Goods of Manmade Fibers, Luggage of Manmade Fibers, and Handbags of Manmade Fibers; Conditions Relating to the Importation of Softwood Lumber Into the United States; and An Assessment of the Impact of Imports Under the Educational, Scientific, and Cultural Materials Importation Act of 1982, Public Law 97-446, on the U.S. Hearing Aid Industry.

The national emphasis being placed on international trade matters makes it clear that requirements for such Commission studies will continue. We are currently conducting several studies on requests from congressional committees on: Competitive Position in U.S. Markets of Certain Vegetables Produced in the U.S. Great Lakes States and in Canada; Competitive Position of Imported Jewelry in the U.S. Market; United States-Mexican Border Trade; and Effects of Tax Reform on the Competitiveness of U.S. Industry. Additional competitiveness study requests are expected from the Congress in anticipation of the next round of multilateral trade negotiations. In addition, the Commission advises congressional committees on the probable effect of implementing trade agreements and arrangements such as the free trade provisions of the Caribbean Basin Initiative. Studies currently being conducted at the request of the President include areas such as: Competitive Assessment of the U.S. Forging Industry; The Competitive Position of the U.S. Tuna Industry; and Information and Advice to Assist the President in a Review of the Generalized System of Preferences.

The Commission has also conducted investigations and studies on its own initiative that examined a broad range of topics relating to conditions of competition between domestic and foreign industries or to other significant developments in international trade. Recently completed self-initiated studies include: International Developments in Biotechnology and their Possible Impact on Certain Sectors of the U.S. Chemical Industry; The Position and Competitiveness of the United States in World Coal Trade; The Shift from U.S. Production of Commodity Petrochemicals to Value-Added Chemical Products and the Possible Impact on U.S. Trade; Emerging Textile-Exporting Countries; Assessment of the Effects of Barter and Countertrade Transactions on U.S. Industries; The Internationalization of the Automobile Industry and Its Effects on the U.S. Automobile Industry; Study of the Multifiber Arrangement; Possible Impact of Changes in U.S. Chemical Trade with the Developing Countries; and Competitive Assessment of the U.S. Commuter and Business Aircraft Industry.

The need for such studies is expected to grow as the United States prepares to enter a new round of Multilateral Trade Negotiations (MTN), and with the proposed adoption of the Harmonized System. It is essential that the Commission study such matters in depth if it is to respond to wide-ranging congressional inquiries and to be of assistance to the executive branch. To this end, the Commission is continually defining new areas where further work should be accomplished.

During FY 1985 the Commission had 52 active section 332 investigations and completed 27. During FY 1986 and FY 1987 this work-load is expected to be significantly higher with 61 and 67 section 332 investigations respectively.

The FY 1986 and FY 1987 levels of resources planned for this activity will provide for investigations requested by the Congress and the President, and allow for Commission-initiated studies in order to assure the Commission's readiness to provide in-depth information for trade policymakers on key economic issues.

In FY 1987 the Commission will use 77 work-years and $4,310,000 for this activity.

ACTIVITY 2 - TECHNICAL INFORMATION AND ASSISTANCE

PROGRAM ANALYSIS

(Dollar amounts in thousands)

Activity	FY 1985 actual		FY 1986 appropriation		FY 1987 base		FY 1987 estimate		Increase(+)or decrease (-) from FY 1987 base	
	Work-years	Amount	Work-years	Amount	Work-years	Amount	Work-years	Amount	Work-years	Amount
2. Technical information and assistance:										
A. Provided to the Congress	12	616	11	603	11	612	11	612	-	-
B. Provided to other Federal agencies and the public	26	1,214	24	1,225	24	1,247	24	1,247	-	-
C. Related to trade agreements activities	20	1,158	19	1,091	17	1,021	17	1,021	-	-
Total technical information and assistance	58	2,988	54	2,919	52	2,880	52	2,880	-	-

The task of furnishing technical information and assistance to the President, the Congress, other agencies, and private industries, groups, and individuals is an important element of the Commission's responsibilities. This work arises as a consequence of the Commission's unique position as a repository of technical information and professional skills in international trade matters such as tariffs, nomenclature, and the effect of imports on domestic industries.

Providing technical information and assistance to Congress

The Commission provides information and assistance requested by the Congress, congressional committees, or individual Members. Committees regularly request the Commission to analyze and to assist in the drafting of proposed legislation. Assistance to committees may also take the form of furnishing information and attending executive and public sessions of the committees. Many requests from individual Members of Congress for varied types of information also must be answered promptly. (Formal investigations requested by congressional committees are not included in this activity, but are discussed under section 332 investigations (activity 1F)).

Providing assistance to the Congress is one of the Commission's primary responsibilities under the Tariff Act of 1930, as was emphasized by the Senate Finance Committee in its report on the Trade Act of 1974. This function, which requires the Commission to supply technical information and expertise in a vast array of trade and tariff matters, draws on the Commission's best talents and has high priority among competing requirements. However, only a small percentage of all Commission resources are applied directly to this key function. This is possible because the Commission's base of expertise is constantly being maintained through work under other activities, such as trade monitoring, section 332 studies, preparation of summaries of tariff and trade information, and systematic assembly and analysis of economic and technical information.

During FY 1985 the Commission supplied information to Congress in such areas as agriculture, sugar, 806.30/807 trade (U.S. articles assembled abroad and returned for sale or processing), automobiles, petroleum, steel, telecommunications, the Multifiber Arrangement, and the U.S. Generalized System of Preferences. In addition, we responded to over 212 congressional letters, made technical revisions and provided information and comments on over 133 pieces of proposed legislation, and responded to numerous telephone calls from congressmen and their staffs, with each request requiring the Commission to supply technical information and expertise in a specific trade or tariff matter. This compares to 200 and 120 respectively during FY 1984. Congressional committees will continue to request Commission assistance in their consideration of proposed trade legislation, and advice on the impact of ongoing trade negotiations or other trade-related activities. National concerns with international trade issues, information on the effect of current and proposed trade negotiations, the possible adoption of the Harmonized System, and new concerns such as the trade growth of the newly industralized countries are expected to cause an increase in the flow of congressional requests for information and assistance over that of FY 1985.

In FY 1987 the Commission will use 11 work-years, the same level as FY 1986, and $612,000 for this activity.

Providing technical information and assistance to other Federal agencies and the public

The Commission is required by statute to assist other Federal agencies in matters within its competence. The Commission provides technical services on tariff and trade matters to the U.S. Trade Representative's office and participates at the technical level in the work of the interagency Trade Policy Staff Committee. The Commission also works closely with the Bureau of the Census and the U.S. Customs Service, and furnishes information on strategic and critical materials to agencies concerned with problems of defense. In numerous instances, we have supplied information to the Departments of Commerce, Labor, and State regarding proposed legislation on various commodities. In addition, we have supplied technical information to the Department of Labor on "worker" cases and to the Department of Commerce on "firm" cases. Further, routine and almost daily assistance is provided to other agencies on all phases of commodity production, trade relations with other countries, trade laws, and product nomenclature and classification. If the Commission prepares a special report for another agency, it is reimbursed for its costs.

On specific problems within its special field of competence, the Commission furnishes information in response to requests on a broad range of subjects from a wide variety of sources outside the Government. The majority of assistance under this category is to domestic producers, importers, and exporters, but many inquiries also come from academics, law firms, and trade consultants. The most frequent requests are for information on production and trade, customs classification, data sources, Commission procedures, trade laws, and the status of statutory investigations. The Commission is often the only available source for the required information. Freedom of Information Act (FOIA) requests are included under this category. During FY 1985, the Commission responded to approximately 189 FOIA requests.

The Commission expects continued demand for its technical information and assistance. Areas in which requests for information are anticipated include international services trade, foreign investment, and issues related to trade in high-technology products. In addition, the Trade and Tariff Act of 1984 established a trade remedy assistance function at the Commission to provide information to the public on (1) remedies and benefits available under the trade laws, and (2) the applicable petition and application procedures. The Commission has absorbed this additional responsibility within its current staffing levels.

In FY 1987 the Commission projects the use of 24 work-years, the same level as FY 1986, and $1,247,000 for this activity.

Providing technical information and assistance relating to trade agreements

This activity involves supplying detailed technical information for use by the President and those administering the trade agreements program. The Commission is effectively the only agency in the U.S. Government having the technical knowledge to provide some of this information.

Commission responsibilities in this area involve: maintaining a data base including trade and nomenclature information; preparing formal and informal studies, reports, and quantitative and qualitative analyses in response to special requests; developing digests of information on articles of commerce; preparing or updating offer lists for trade negotiations and consolidated schedules of concessions under the General Agreement on Tariffs and Trade (GATT); providing technical advice to those administering the trade agreements program; submitting recommendations to the President on matters related to program policy; participation in the drafting of trade agreements; assistance in the drafting of Presidential proclamations and Executive Orders modifying the TSUS to implement U.S. trade policy decisions; preparing the final schedules relating to U.S. tariff concessions in the appropriate legal language; participation in the annual product review and competitive-need determinations with respect to the Generalized System of Preferences; participation as a member of the U.S. delegation to the Technical Subcommittee of the Committee on Trade in Civil Aircraft of the GATT; and coordinating Commission activities with those of the United States Trade Representative (USTR) and other executive branch agencies. Expertise required in the performance of this work is developed largely in connection with carrying out the Commission's basic functions, as virtually every area of the professional staff is drawn upon to provide this assistance.

The Commission is required to provide varied technical assistance to the USTR in the process of implementing the agreements reached in the Tokyo round of Multilateral Trade Negotiations (MTN). Assistance will continue to be required in connection with MTN implementation, the day-to-day operation of the trade agreements program, the maintenance of required data bases, and processing of Commission investigative determinations through the Trade Policy Staff Committee for submission to the President. During FY 1985 the Commission assisted in areas such as: domestic and international preparations for conversion of the U.S. tariff schedules to the Harmonized System, negotiation of the free trade agreement with Israel, and preparation for possible negotiation and implementation of sectoral free trade agreements with Canada. In FY 1986 and FY 1987 the Commission will be expected to contribute significantly to the preparatory work and the eventual negotiations of a free-trade arrangement with Canada, and a new round of multilateral trade negotiations. Major interagency staff work of a preparatory nature is expected to begin for both programs in early 1986.

In FY 1987 the Commission projects the use of 17 work-years and $1,021,000 for this activity, compared to 19 work-years and $1,091,000 in FY 1986.

ACTIVITY 3 - RECURRING REPORTS AND SERVICES

PROGRAM ANALYSIS

(Dollar amounts in thousands)

Activity	FY 1985 actual		FY 1986 appropriation		FY 1987 base		FY 1987 estimate		Increase(+)or decrease (-) from FY 1987 base	
	Work-years	Amount	Work-years	Amount	Work-years	Amount	Work-years	Amount	Work-years	Amount
3. **Recurring reports and services**:										
A. Trade monitoring	21	1,068	29	1,528	29	1,549	29	1,549	-	-
B. Synthetic organic chemicals reports	6	262	9	437	9	445	9	445	-	-
C. Summaries of trade and tariff information	8	387	17	835	17	846	17	846	-	-
D. TSUSA, Harmonized System and other nomenclature activities	20	1,114	24	1,524	25	1,649	25	1,649	-	-
E. Other recurring reports and services	10	483	9	486	9	492	9	492	-	-
Total recurring reports and services	65	3,314	88	4,810	89	4,981	89	4,981	-	-

Trade monitoring

The Commission's trade-monitoring program is designed to help the Commission identify and report on key international trade developments in a timely manner. The trade-monitoring activity also provides the basis for much of the Commission's other work by keeping commodity and foreign area specialists up-to-date on trade trends and emerging policy issues. The program currently includes tracking of trade and trade policy developments in key U.S. trading partners such as Canada, the European Community, and Japan; East-West trade monitoring; reporting on the causes of shifts in U.S. imports and exports of specific commodities; and the monitoring of trade in more than 600 individual commodities. Because of its key role in maintaining the Commission's readiness to provide Congress and the Executive Branch with indepth analysis of all trade and tariff matters, this program is constantly being examined to assure timely applications.

Section 163(b) of the Trade Act of 1974 requires the Commission to submit to the Congress an annual report on the operation of the trade agreements program of the United States (OTAP report). This report provides an independent account for the Congress of the trade-policy activities of the United States each year, together with complementary information on trade-related developments in other major U.S. trading partners and the activities of international trade organizations such as, the General Agreement on Tariffs and Trade (GATT) and the Organization for Economic Cooperation and Development (OECD). The report includes information on such topics as the trade under the Generalized System of Preferences (GSP), the administration of U.S. trade laws and regulations, and regulatory actions by foreign governments that affect international trade in services. Selected developments of special importance to U.S. trade are also highlighted each year. The OTAP report is a unique reference source on U.S. trade policy and is distributed, by request, to government officials in Washington, embassies throughout the world, to business groups, and trade associations and academicians.

Section 410 of the Trade Act of 1974 directs the Commission to monitor U.S. trade with the non-market economy (NME's) countries, including China and the Soviet Union, and to provide a quarterly report on this trade to the Congress and the Trade Policy Staff Committee. To fulfill this requirement, the Commission operates a computer-based import-monitoring system that scans manufactured imports from NME sources. The quarterly report carries the results of this monitoring activity, and also contains detailed data on U.S. exports to NME's, summaries of trade-related developments in those countries, and analyses of topics of current interest in East-West commercial relations. The Commission report is currently the only regularly released U.S. Government accounting of U.S. trade with the non-market economy countries.

To maintain expertise on foreign trade and economic matters, Commission specialists routinely gather and evaluate information on economic developments, trade actions, and trade policies in major U.S. trading partners and NME's. This international trade-monitoring program also allows the Commission to respond to inquiries on current bilateral and multilateral trade issues from the Congress, Federal agencies and the public.

The Commission's computerized commodity trade monitoring system is designed to permit rapid analysis and research on recent trends in U.S. trade. This system consists of three interrelated parts: a computer-based trade-monitoring system; specially designed trade tables made up of selected commodity groupings; and data profiles, which provide selected economic data for each commodity grouping. The computerized trade-monitoring program anticipates issues by automatically detecting unusual trade movements. The trade tables, which support the trade-monitoring program, consist of computer-generated import and export data for over 2,500 commodity groupings. The data profiles include data on production, shipments, inventories, employment, wages, prices, capacity, and profit associated with approximately 650 significant commodity areas. In addition, this system is a valuable research tool providing trade data not readily or routinely available in the past. The system was also designed to have the flexibility to meet new trade-monitoring requirements as they develop.

The Commission is continuing the quarterly report series entitled U.S. Trade Shifts in Selected Commodity Areas which was initiated in FY 1981. The report is a by-product of the normal trade-monitoring activities and provides brief analyses of significant shifts in trade of major industrial sectors.

In FY 1987 the Commission will use 29 work-years, the same level as FY 1986, and $1,549,000 for this activity.

Synthetic organic chemicals reports

The Commission publishes annual reports covering production and sales of synthetic organic chemicals and the raw materials from which they are produced (a directory of manufacturers of the products is included). It also publishes quarterly statistical reports covering production of a selected list of synthetic organic chemicals considered to be representative of the industry. Public Law 95-106, section 5, 91 Stat. 869 (1977) (codified at U.S.C. 1332 note) required the Commission to make such reports for each calendar year ending before January 1, 1981. The Commission has continued to publish these reports beyond that date to meet the expressed needs of the Commission, other government agencies, and the public, under the authority of section 332 of the Tariff Act of 1930. The chemical industry cooperates in furnishing much of the data included in these reports because of the high value it places on the information published.

In FY 1987 the Commission will use 9 work-years, the same level as FY 1986, and $445,000 for this activity.

Summaries of trade and tariff information

The Commission, as an outgrowth of its ongoing responsibility for developing and maintaining the Nation's primary store of technical tariff information, publishes summaries of trade and tariff information for use as comprehensive reference sources by the Congress, the courts, other agencies, and the public. They comprise a systematic and uniform source of information on domestic and foreign trade in, and customs treatment of, the articles enumerated in the Tariff Schedules of the United States (TSUS). Each summary encompasses one or more homogenous commodities, and presents information on tariff and statistical classifications, commodity composition and uses, domestic production and consumption, U.S. imports and exports, and foreign production and export capability.

The summaries of trade and tariff information assemble in readily usable form much of the information needed by the Commission to perform its major functions, and to provide Congress, the President, and other government personnel with valuable information for understanding and coping with problems of domestic and foreign trade, such as import competition, trade-agreement negotiations and legislation affecting foreign trade. They also supply both importers and customs officials with information useful in determining the tariff classification and statistical classification of articles; and provide information to domestic producers, importers, other business concerns, and consumers for use in management and planning. No other single publication is comparably organized for use by those interested in tariffs and international trade. Demand for many of the volumes has been high. Primary distribution is made within the Federal Government, with some copies going to reference libraries and the public.

The Commission completed a revised program modifying the scope and format of the summaries during FY 1984. The change reduces the resources required for each summary, and provides for completed summaries to be updated by supplements as new information becomes available, avoiding the need to republish the entire summary, and thereby, allows the Commission to provide updated information on a more current, less costly basis. New or revised summaries are prepared as required.

During FY 1985 the Commission published only 11 summaries and was limited to issuing 39 supplements to update previously published summaries. Resources normally devoted to the summary program were diverted to work on a complex Presidential request for probable economic effects advice on the revised U.S. GSP as called for in the Trade and Tariff Act of 1984.

In FY 1986 and FY 1987 it is expected that work-year requirements will get back to normal requirements. In FY 1987 the Commission will use 17 work-years, the same level as FY 1986, and $846,000 for this activity.

TSUSA, Harmonized System, and other nomenclature and classification activities

This activity includes three major program areas: (1) the publication of the Tariff Schedules of the United States Annotated (TSUSA); (2) the development and maintenance of the Harmonized System; and (3) the establishment, pursuant to section 484(e) of the Tariff Act of 1930, of appropriate statistical annotations for imports and exports.

Pursuant to section 201 of the Tariff Classification Act of 1962, the Commission is charged with the responsibility of maintaining and publishing on a current basis the TSUSA, which sets forth the tariff and other customs treatment accorded U.S. imports and the statistical provisions to be used for the purpose of reporting U.S. imports. The TSUSA is published periodically by the Government Printing Office, and supplements are issued as necessary to reflect changes and to maintain it on a current basis. It comprises more than 1,000 pages, and approximately 30,000 copies are sold each year. Accuracy is required since it embraces the legal text of the Tariff Schedules of the United States. Changes primarily reflect the results of legislation, Presidential Proclamations and Executive Orders issued pursuant to trade-agreement legislation, and modifications adopted by the interagency Committee for Statistical Annotation of Tariff Schedules.

The major task of updating the TSUSA to incorporate the many changes resulting from the MTN agreements culminated in the publication of a completely new edition in FY 1980. Since most of these rate changes are to be incorporated in stages through 1987 (some continue until 1991), it will be necessary to continue to publish a new TSUSA annually at least through 1987. Supplements to the TSUSA are also required for prompt reflection of individual changes occurring between publication dates for the entire editions. In FY 1982 the Commission published the History of the Tariff Schedules of the United States Annotated, a 700-page compilation of the staged rates, amendments and modifications, and statistical notes pursuant to section 201 of the Tariff Classification Act of 1962. This publication, which documents past and future modifications to the rates of duty and changes to the legal text of the tariff schedules, will require supplements in FY 1986 to reflect all the changes to the TSUSA since the History was first published.

Section 608(c)(2) of the Trade Act of 1974 requires full participation by the Commission in the technical contributions of the United States to the Harmonized System Committee under the Customs Cooperation Council. This participation has been essential to reflect the needs of the United States Government and the business community in the development of an internationally accepted product nomenclature (The Harmonized System) reflecting sound principles of commodity identification and specification as well as modern production methods and trading practices. As part of its responsibilities, the Commission, through consultations, discussions, and public hearings, solicited the views of trade and industry and interested Government agencies, then prepared U.S. comments and proposals on the 97 chapters of the Harmonized System, including Explanatory Notes.

In response to a request from the President for a tariff conversion investigation (332-131), the Commission completed a draft conversion of the Tariff Schedules of the United States (TSUS) into the nomenclature structure of the Harmonized System and submitted a report on this draft conversion for the President's consideration on June 30, 1983.

Since transmitting its draft tariff conversion to the President, the Commission has continued to work with the Administration, particularly the Office of the United States Trade Representative (USTR), on matters regarding U.S. adoption of the Harmonized System based tariff schedules. This work has required Commission assistance in the Administration's detailed review and revision of the conversion and throughout FY 1986 and FY 1987 is expected to continue in three principal areas:

(1) Article XXVIII GATT negotiations taking place in Geneva in FY 1986 to reflect and adjust international tariff obligations in terms of the Harmonized System's nomenclature has required significant technical input. The Commission staff is preparing most U.S. technical documentation (including the current and proposed schedule of U.S. tariff concessions). To support the negotiating team's effort, we have assigned technical experts to Geneva to assist in the explanation and analysis of classification and conversion issues and to USTR to work on the incorporation of the GSP provisions in the conversion. We have sent experts to Geneva and Ottawa to provide technical advice to U.S. negotiators, and we have participated in the review of the tariff conversions of various U.S. trading partners.

(2) Continued participation in the U.S. technical contributions to the Harmonized System Committee under the Customs Cooperation Council. During FY 1986 and FY 1987 the Committee is expected to continue considering revisions to the Explanatory Notes, preparing and reviewing the alphabetical index, and considering classification issues and possible amendments to the system.

(3) Preparing or maintaining documents necessary for U.S. adoption of the Harmonized System. These include maintaining a camera-ready copy of the draft tariff conversion and associated cross references, and modifying the U.S. schedule of international tariff obligations resulting from the GATT negotiations.

The activities of the Committee for Statistical Annotation of Tariff Schedules, which is composed of representatives of the Secretary of the Treasury, the Secretary of Commerce, and the United States International Trade Commission and chaired by the Commission's representative, are conducted pursuant to section 484(e) of the Tariff Act of 1930. Its primary objective is improvement in and harmonization of the quality and utility of both domestic and international trade data for analytical purposes. To accomplish this objective, the Committee considers petitions from other government agencies and the private sector for statistical annotations and statistical notes to the TSUSA, which results in product break-outs under TSUS items. It should be noted that in connection with the proposed January 1, 1987 implementation of the Harmonized System, the Committee will be working to improve and harmonize the U.S. import, export and production data reporting systems.

To enable the Commission to facilitate changes to the TSUSA, and to respond more promptly to requests for data and the effect of possible changes by Congress and the President, a computerized system for its preparation and printing is being considered. The systems being considered could provide electronic access to the TSUSA and to the history of the TSUSA by the international trade community, and could also be used to meet Harmonized System requirements, if adopted.

Resources planned for this activity for FY 1986 and FY 1987 are above those required in prior years due to the emphasis on the Harmonized System conversion and the inclusion of time associated with the related trade negotiations. They are expected to remain at a high level to support continued TSUSA and Harmonized System requirements. An increase of four work-years is projected in this activity for FY 1986, as requirements are expected to grow over those of FY 1985. In FY 1987 the Commission projects the use of 25 work-years and $1,649,000 for this activity, compared to 24 work-years and $1,524,000 in FY 1986.

Other recurring reports and services

This activity includes preparation of quantitative reports dealing with import and/or production data on specific commodities as required by Congressional request, statute, Executive Order, or Presidential proclamation, and preparation of the Commission's annual report to the Congress dealing with its own operations. Data on commodities is gathered through the use of questionnaire surveys and through secondary data sources.

Many of the quantitative reports, issued quarterly, semiannually, or annually according to Presidential or other legal requirements, provide current statistical information on specific products which have been adversely affected by imports. These statistical reports do not include Commission determinations, such as those which are included in reports of review investigations called for by the Trade Act of 1974 (activity 1A). The Commission also issues its annual report on automotive trade statistics under this activity.

In FY 1985 the Commission published quarterly reports on processed mushrooms (Presidential request under section 332 of the Tariff Act of 1930), an annual report on brooms (Executive Order No. 11377), quarterly and annual reports on heavyweight motorcycles (Presidential Proclamation No. 5050), quarterly and annual reports on certain stainless steel and alloy tool steel (Presidential Proclamation No. 5074), an annual report on rum (Senate Finance Committee request under section 332), monthly reports on the U.S. auto industry (House Ways and Means Committee request under section 332), monthly reports on the U.S. steel industry (House Ways and Means Committee request under section 332), quarterly reports on nonrubber footwear (Senate Finance Committee request under section 332), and annual reports on competitive conditions in the steel industry (49 F.R. 36813, President's 9-point steel program).

We also expect that monitoring requests will continue to be made in all commodity areas where the Commission makes an affirmative section 201 finding and the President grants import relief, and have allocated resources sufficient to continue to provide adequate research and analysis. In FY 1987 the Commission will use 9 work-years, the same level as FY 1986, and $492,000 for this activity.

ACTIVITY 4 - ASSEMBLING AND ANALYZING ECONOMIC AND TECHNICAL INFORMATION

PROGRAM ANALYSIS

(Dollar amounts in thousands)

Activity	FY 1985 actual		FY 1986 appropriation		FY 1987 base		FY 1987 estimate		Increase(+)or decrease (-) from FY 1987 base	
	Work years	Amount	Work years	Amount	Work years	Amount	Work years	Amount	Work years	Amount
4. Assembling and analyzing economic and technical information:										
A. Information resources management	29	1,356	32	1,560	33	1,632	33	1,632	–	–
B. Professional assembly and analysis of information	24	1,158	21	1,130	22	1,165	22	1,165	–	–
Total assembling and analyzing economic and technical information	53	2,514	53	2,690	55	2,797	55	2,797	–	–

Requirements of the Tariff Act of 1930, Trade Act of 1974 and Trade Agreements Act of 1979 set forth specified areas of international trade in which staff expertise is required. In order to stay aware of developments in international trade and to respond promptly to investigations, special studies, and requests for advice from the Congress and the President, a significant portion of staff time must be spent in managing information resources. This includes the collection, assembly, and analysis of statistical, economic and technical information relating to imports and exports, and to changes in the conditions of competition between domestic and imported products. A principal long-term goal of the Commission is to know the factors involved in each domestic industry's competitiveness with its foreign counterparts and to be able to relate this information to tariff structures and nontariff barriers, both foreign and domestic. To accomplish this goal it is necessary to build and maintain a basic fund of knowledge.

Information on individual industries and commodities constitutes the largest part of this basic fund of knowledge; technical knowledge of generally accepted economic theory, and current informaton on the trade practices of major foreign economics is an equally important component of the Commission's knowledge base. It includes data on U.S. production, imports, exports, and prices, and such data for leading foreign producing and exporting countries. Information is obtained through the regular collection, assembly, and analysis of data from domestic producers and importers, trade policy papers of the U.S. and foreign governments, studies and reports of the major international trade organizations, and other Government sources and trade publications. The Commission also maintains a large collection of material related to international trade and tariff affairs in its libraries, including information on the economies and trade-related policies of major trading countries, nonmarket economy countries and the newly industralized countries.

Information resources management

This activity includes management of the library, automatic data processing and related facilities. It includes development, administration, maintenance, updating, and validation of the accuracy of a data base consisting of library elements (books and periodicals) and other printed information, micrographic copies of printed materials, and computerized records. It consists of systematic collection and processing of information, and the development of new data bases and data processing procedures for use in investigations, research studies, and related Commission activities which are made available for current or future use to staff members throughout the Commission.

During the past year, the Commission continued to increase the use of automated information retrieval systems to provide better data base maintenance and information-processing capabilities. Reconstruction of data bases and development of improved information retrieval capabilities is an on-going function within this activity, and has resulted in improvements in reports and in the Commission's ability to respond to requests for trade information. The Commission's data base development activities are coordinated with related activities in executive branch agencies through the Trade Policy Staff Committee.

The broad scope of the Commission's statutory responsibilities, and the amount of information available previously made a full exchange of legal knowledge and experience impossible. A two-step process was put into effect to alleviate this problem: (1) access to an automated legal information system was initiated and has provided improved legal research capabilities in addition to considerable savings in personal research time for staff attorneys; and (2) the Commission expanded this legal research service to include a file of Commission opinions and related memoranda. To further improve legal research capabilities, the Commission has expanded this file to include decisions and related data of the Administrative Law Judges in regard to cases brought under section 337 of the Tariff Act of 1930.

Cataloging and title-searching capabilities of the Commission library continue to improve due to the previous implementation of an automated library cataloging and source reference system (OCLC). The OCLC system is used for inter-library loan functions and has vastly improved the ability to identify and locate available publications, and is being used for library acquisitions. To further improve the Commission's data-gathering abilities, a serials control subsystem was implemented to automate control of some 2,400 serials, periodical and serial titles, thus enabling better inventory control and business information. The automated trade-data-reporting systems previously developed to support both the summaries program and trade-monitoring activities were enhanced. In addition, files of hard copy statistical data were converted to micrographic form for better access and to reduce the space requirements for storage.

During FY 1985 multiple updates of the TSUSA commodity description file were completed. During this time period the initial phase of the TSUSA/Harmonized System conversion, required for Harmonized System and article XXVII negotiations in Geneva, was completed.

During FY 1986 and FY 1987 continued efforts are planned to link word processing and ADP functions, develop improved statistical services in updating the TSUSA commodity description file and the Harmonized System commodity file, and complete other requirements brought on by the MTN, GATT negotiations and trade-monitoring activities. Major efforts have been completed bringing new applications such as the Commission's in-house accounting system, commodity and geographical tracking of investigations, spread sheet financial analysis, and electronic mail capabilities into the in-house computer system. In addition, computer access by all offices has been expanded and new software is being developed to further support the Commission's investigative and trade monitoring efforts. The availability of our own computer capabilities greatly enhances data gathering, storage, and information-sharing capabilities, and provides better control of the processing of sensitive data. In FY 1985 a significant effort was directed toward servicing most major Commission computer activities at our own facility, meeting the need for increased investigative support, and providing more direct technical support to enable end-users to do their own processing. During FY 1985 the Commission expanded its use of personal computers as an additional step to improve end-user computing. These efforts will continue in FY 1986 and FY 1987.

The Commission's workload requires a state of readiness and accessibility to data bases to support commodity analysis, trade monitoring, investigations and special research. The Commission must continue systematic collection, analysis, and upgrading its data base to be able to respond promptly to external requirements and keep abreast of developments in its field of responsibility in anticipation of future needs. By the increased use and improvement of its automated systems, and resulting reduction of manual data research operations, the Commission has been able to assure that sufficient data is available to meet those responsibilities and to keep up with the increases in the quantity of data being maintained and analyzed without commensurate increases in resources. In FY 1987 the Commission will use 33 work-years and $1,632,000 for this activity, compared to 32 work-years and $1,560,000 in FY 1986.

Professional assembly and analysis of information

The Commission must be prepared at all times to speak with authority on various aspects of the nation's international trade activities and a wide range of technical and legal trade and tariff matters. Beyond the collection, assembly and processing of information, described above, this requires a continuing program to develop and maintain the competence of the professional staff. In addition to keeping abreast of statistical trends, the professional staff must maintain technical data on a large number of commodities, know and understand domestic and foreign production and product distribution patterns, and be familiar with foreign economic conditions and trade-related policies. They must also keep abreast of the conditions of competition between U.S. and foreign products, the competitive capabilities of domestic and foreign enterprises and be able to translate this expertise into fact-finding analytical reports and papers for use by appropriate policy officials.

This activity is carried out by general fieldwork, basic research, review of U.S. and foreign economic trade and business sources, liaison with private industry officials, participation in industry-Government conferences, expansion of Government and business contacts, and development and review of Government information. Much of this work requires travel by Commission personnel in order to keep current on matters which may have an impact on technical tariff affairs or on conditions of trade.

The Commission must continue its program of keeping its professional staff informed in its fields of responsibility. The expertise developed and maintained in this program will always be critical to the fulfillment of the Commission's statutory responsibilities. The frequent need to use commodity-industry analysts and economists for extensive work on investigations affects the time available for systematic assembly and analysis of information. However, the Commission feels that when these staff shifts occur they are not disruptive to the orderly maintenance of professional expertise, since there is a significant benefit to be gained by the knowledge and experience the analysts obtain through active participation in public investigations related to specific commodities.

The Commission believes that this activity must be maintained at a level that will assure the Commission's ability to keep up with the changing geography of our case load, changing economic factors affecting world trade, developments in East-West trade, trade monitoring and analysis, and the need to provide adequate technical input in areas of increasing importance to trade policy, such as trade-in-services and in high-technology goods, countertrade, and biotechnology.

In FY 1987 the Commission will use 22 work-years and $1,165,000 for this activity, compared to 21 work-years and $1,130,000 in FY 1986.

Ms. STERN. I will be glad to.

The International Trade Commission is an independent quasi-judicial agency of the United States Government. We are not part of the Executive Branch. We receive complaints from domestic industries or workers or those who are representing workers who feel that they have been adversely impacted by imports.

We administer a number of different laws. We examine, after having a hearing, the question of whether a domestic industry has been injured, and if so, what the role of the imports has been.

Under Section 201, which is our escape clause action, when no unfair trade has been alleged, but when an industry feels it needs a breathing spell to adjust to this new international competition, we can recommend to the President import relief in the form of tariffs or quotas or adjustment assistance, if the industry has been seriously injured and imports have been a substantial cause of that injury or threat of injury.

Ms. STERN. We also hear complaints about unfair imports. Imports which have been dumped, sold at less than fair value in this country, or subsidized by foreign governments.

When those imports come in, we attempt to find that there has been material injury or threat of material injury or establishment of an industry by reason of those imports that are coming in.

The Department of Commerce determines whether indeed there has been an unfair act in the form of dumping or subsidization. We determine whether there has been this material injury.

In effect, in the short-hand, if we both act in an affirmative fashion, then there will be a duty collected by the Department of Treasury's Customs Service, to counteract that subsidization or that dumping.

The duty, in effect, reflects the margin of dumping the Department of Commerce has calculated.

We also hear complaints under section 337 dealing with intellectual property rights, copyrights, trademarks and patents. If there has been a violation of those rights, and if the industry has been injured by the imports coming in which are violating those rights, we can order the Customs Service again to exclude the goods at the border, or we can issue a cease and desist order.

We also do investigations under section 22 when the President turns to us and asks for a recommendation as to whether imports are interfering with the price support system for a given agricultural commodity; and finally, under our investigative responsibility, we determine whether non-market economies, goods coming into this country, are causing interference in the market.

We also do studies at the behest of the USTR, the President, or the Congress. The Ways and Means Committee or Senate Finance requests 332 studies, ranging from tax proposals on U.S. competitiveness, during which Mr. Regula came and testified as to his views, to the changing international conditions in agricultural commodities. Those studies have been increasing as the question of trade has been increasing.

We also assist the Executive Branch in—or when there are negotiations. We have people who are in Geneva now. We help draw up the various proclamations when the President makes decisions.

Mr. SMITH. How much of your time is taken up on fact-finding as opposed to issuing orders to correct situations?

Ms. STERN. Roughly, we had 280 cases in FY 84 and 338 last year, roughly, there are the 332s, which are the fact-findings, we had about 52 or so, of these cases. We have it worked out by man-hours as well.

There were 48 332s in FY 84, and 52 in 1985, so I would say about a quarter are in response to these requests—and we statutorily must respond and do those studies.

It is a rare event that we self-initiate a study.

BALANCED BUDGET ACT REDUCTION

Mr. SMITH. With the increased attention we have on your area, or the area of your responsibility, how are you going to administer this 4.3 percent reduction of $2.230 million?

Ms. STERN. In fiscal year 1986, we were operating under a continuing resolution in the first quarter, so we had really frozen activities a great deal in terms of anything that was discretionary, and we, as a result, had savings which will see us through fiscal year 1986.

In addition, we were not fully staffed as far as the Commissioners' Offices are concerned. We do have all six members on board. We did not for the first quarter or so.

Mr. SMITH. Are you saying you essentially are going to have a freeze, that won't do it?

Ms. STERN. The savings that we gained in travel and other kinds of discretionary activities where we could just try to do the work which is statutorily required, but at a more minimal fashion, and the fact that we did not have expenses for the Commissioner's Office, and that is several people right there, will allow us to get through the year in fiscal year 1986 at this lower level.

Mr. SMITH. What do you do about 1987?

Ms. STERN. 1987 is—I have grave concerns. I think that the proposal that we have sent up to you started out being bare bones, and in my own personal opinion, though it was not the majority of the Commission's opinion, even on the personnel level, we have come to you in a very rough shape.

482 people, that is the number we had last year. In terms of actual increases over FY 86, that we had—discretion is only a $9,000 increase. Everything else goes up because of GSA space, that was about 1 percent, and the other was personnel, paying personnel when they get their quality increases which are mandated, and they also go up about 1.1 or 1.3 percent. So I am quite concerned about the operation of the Commission next year.

Mr. SMITH. Will you have to have any RIFs?

Ms. STERN. I certainly hope not. If we do, we will have to tell the Congress when we are asked to do these special studies, that we are not going to be able to do them in the way that they are envisioned.

WORKLOAD REQUIREMENTS

Last Friday, I got a letter from the Finance Committee asking us to start seven new 332s, which will take us 18 months through to the next fiscal year, on very important subjects, taking seven very important areas in our economy, and how they are going to compete internationally.

Mr. SMITH. Well, is it wise to take on more than you can do and not do it well?

Ms. STERN. That is what I am saying. If it gets to that point, we will have to tell our oversight committees who are asking us to do these studies that we may not be able to do them.

It has not reached that point yet. We have increased our productivity through word processing. We have a higher ratio of professional to clerical people than we used to, because of the wonderful inventions of word processing, but I am very concerned.

I heard Mr. Regula's question about the revolving door. There is a limit to how much you can push people. We have seen pressure that we can't control on litigation. Every case we decide, we have 100 percent, now, review in the courts, so there is a whole new area which we have not brought to your attention before.

Mr. SMITH. What is the status of your authorization for 1987?

Ms. STERN. This is our first hearing. They have not been scheduled yet.

Mr. SMITH. You will bring this out during the hearings, I assume?

Ms. STERN. I hope to, yes. I might say, the budget that I came to you with, 482, is the same number that we had last year and virtually the same funds, except for the GSA and the personnel stuff. It is a budget which I had wanted to go for fully funding, and come to Congress and ask for 10 more people.

I was outvoted, so the majority of the Commission feels that 482 will serve them.

Mr. SMITH. What would those 10 people have done?

Ms. STERN. Specifically, I had identified in our General Counsel's Office, for example, the need to deal with the increased litigation. In our executive liaison, we have a very small office relating to the USTR, the whole Executive Branch, and as the U.S.-Canada and the GATT negotiations, everything Mr. Yeutter spelled out to you, everything that picks up, I feel we are sorely in need of one more body there.

In our office dealing with all the material coming in with all the cases, we had an enormous load laid on us the other day, patent rights dealing with semi-conductors.

We just need more people. I identified one in the Office of the Secretary to deal with that. I can go down that list and provide it to you.

Mr. SMITH. Fill out the list.

[The information follows:]

HEARING TESTIMONY INSERTS

Questions raised with the Chairwoman by Mr. Smith

Detail of positions intially recommended by the Chairwoman

To provide necessary resources to meet the Commissions high level of workload and responsibility, I proposed a 20-position increase in our FY 1987 staffing level. My experience in bringing the Commission to a fully staffed condition during FY 1985 indicates that it would take some time to fill all of these additional positions. Therefore, I proposed funding for only 10 of the additional positions.

My recommendation to the Commission for FY 1987 included the following additional positions:

> I recommended approval of one position for the docket section to provide the Secretary adequate resources with which to meet the workload requirement in FY 1987. Case and document filings remain high. Their impact on Office of the Secretary continues to be heavy. Although efforts are underway to upgrade this office's computer capabilities, more staff is needed.
>
> Nine positions were recommended for the Office of the General Counsel due to current workload, particularly litigation of title VII appeals, and its impact on the office's ability to provide quality advice to the Commission. Positions would be filled from a broad range of attorneys, paralegals, clerks, legal and library technicians, and a confidential administrative assistant.
>
> I recommended one position in the Office of the Administrative Law Judge. This was to establish the position of senior technical advisor on a permanent basis, converting it from its current temporary status. The advisor has shown that his input to pending cases and in report writing is valuable and should be retained.
>
> I recommended a position for the Office of Unfair Import Investigations. The added position was to support anticipated increased caseload in section 337 cases; Trade Remedy Assistance Center (TRAC) responsibilities will continue to be addressed on an auxiliary duty basis, until caseload justifies permanent assigned staff. Section 337 caseload is anticipated to return to previous high levels during the next two years, for the following reasons: the trade bar will know the basic judicial positions of the current complement of Commissioners and ALJs; the chilling effect from Presidential disapproval in Duracell will abate with the passage of time; and, granting temporary relief in the Floppy Disk Drives case indicates that there will be expeditious relief.

I recommended two positions for the Office of Economics. This staffing level would enable the office to continue to contribute fully in the investigative areas as it would reduce the need for excessive individual investigative assignments; resources would be available for input into section 332 and section 337 investigations and research studies; and the availability of economic input in other Commission activities would improve the analytical foundation of our products.

I recommended two positions for the Office of Data Systems since the office's workload requirements have expanded beyond its available resources. These positions would meet new and expanding requirements for personal computers as well as insure appropriate support for investigative activities and improvement of computer applications.

I recommended two positions for the Office of Industries. These additional trade specialist positions would be used for added support in the section 332 activities.

I recommended position in the Office of Management Services which has varied responsibilities, ranging from facilities management, to procurement, to Commission-wide support services such as editorial, word-processing and printing. The positions, a support services supervisor and an editor, are both needed for higher quality and increased workload requirements.

Ms. **Stern.** I would be happy to. I appreciate the fact that this committee has been concerned about the way we have been operating, and asking us to do these quarterly reports. The first one just went up in January, to oversee how we are able to deal with the resources that we are getting.

Mr. **Regula.** Mr. Chairman, I wonder at this point, do you send people overseas to evaluate whether or not there is in fact dumping, and to correctly assess your judgments on those issues?

Ms. **Stern.** Specifically on dumping and countervailing duty, and the question of an unfair act, those investigations are conducted by the Department of Commerce.

Mr. **Regula.** At your request?

Ms. **Stern.** No, under the statute it is their responsibility to determine whether there has been an unfair act of dumping or subsidization, and our responsibility under the same statute is to determine whether the domestic industry has been injured by those imports that have been dumped——

Mr. **Regula.** Do you send people overseas to make that judgment?

Ms. **Stern.** No, we are looking in the U.S. market. We do, however, send people overseas in certain cases. For example, the seven new requests from the Finance Committee. They want us to look at our international competition, and the markets, and also concern ourselves not only with imports in the U.S., but exports, and the ability to compete basically on a global basis.

In that case, they are envisioning foreign travel very clearly in their letter. That realization that we cannot just focus on the U.S. marketplace, nor can the business people, is affecting the drain on our resources as well.

TRADE POLICY

Mr. **Regula.** A follow-up question: Do you think the U.S. is too fragmented in its trade policy? In many instances the nations that we want to export to the United States have almost a policy of divide and conquer, which is to some extent pertaining to the different groups that are impacted by the lobbyists?

Ms. **Stern.** I believe the trade policy itself is pretty clearly articulated, and you know who is in charge. I happen to believe, and this is my personal view, that a lot more coordination, a lot tighter coordination ought to be done.

There is a lot of power on the books now for the President to, when there is, for example, an industry that is in distress, to look at that industry on a comprehensive basis, and not just look at it when they come to the ITC, and they send up a petition for import relief in the forms of tariffs or quotas.

There is a lot more power that is available in the President's hands, antitrust, to EPA regulations, to recommendations as far as taxes, to special financing, and I think it is a matter more of will rather than anything else.

That is not to say that there are places where the law could be more clearly crafted, but in general, in response to your question, I believe coordination is really a matter of will.

Mr. **Regula**. Thank you, Mr. Chairman, and I want to say to you, Mrs. Stern, I appreciate the opportunities I have had to testify, and you have been very cooperative down there. You have some really difficult issues to deal with.

If we were Chinese, they would say this is the Year of the Trade, I think.

Ms. **Stern**. How about the tiger by the tail?

Mr. **Regula**. Yes, the Year of the Tiger. We hear a lot of statements that say we want free trade but fair trade. Is our relationship to other trading partners fair, in your judgment?

Ms. **Stern**. Let me take it two ways, because the way, at the ITC, we define fair and unfair is very much specific.

Unfair products which come in are those that have been dumped or subsidized or violating intellectual property rights. I have looked at the volume of imports coming into the United States that have been triggered under these petitions for relief and compared that to the total volume of imports that are coming in.

I would say at least the cases that we cover, and our caseload has been skyrocketing, and we are very relevant, and a very important valve on this pressure cooker, but we only impact about 1 percent of the imports that are coming into this country, that are under the law now defined as unfair.

The other question is, our ability to export overseas, the section 301s which Mr. Yeutter mentioned. I heard a figure, and I have no reason to doubt it, that if all of those unfair 301s that were self-initiated and have been brought to the President over the years were acted on, it would impact on the volume of something like $47 billion, the figure I heard, I think I need to confirm that.

I have never come up with a figure myself, I might add. We still have an enormous trade deficit even after that, so we have got a competitiveness problem above and beyond the unfair issue, which is not to say the unfair issue should not be addressed.

We are the world largest open market, and have a very important leverage. I believe there is unfair—I don't want to use the word "unfair" because that word is defined in the law.

I believe that there are other countries whose trade policies simply do not embrace the same kinds of principles ours do. Here the consumer is king. We believe in choice, an open market, and we believe that makes it more equitable, more efficient, a more dynamic economy.

There are other countries who believe there should be greater control and many are trying to push these infant industries. In order to nurture those industries, they close down their markets and that is an immediate impact on us, because in the high-tech areas, we need to be able to produce and put that R&D in there, not just to sell that product in the U.S., but worldwide.

We can't do that, our companies can't do that, and sell just in the U.S. market when other countries and companies are selling in our market, plus their market. There are real problems out there, and Mr. Yeutter has got his hands full.

They are just different systems with different principles.

Mr. **Regula**. The answer is, it is sort of unfair. Do you think we need revision of our GATT agreements?

ACTIVITY 5 - ADMINISTRATION

PROGRAM ANALYSIS

(Dollar amounts in thousands)

Activity	FY 1985 actual		FY 1986 appropriation		FY 1987 base		FY 1987 estimate		Increase(+)or decrease (-) from FY 1987 base	
	Work-years	Amount	Work-years	Amount	Work-years	Amount	Work-years	Amount	Work-years	Amount
5. Administration————	62	2,588	59	2,633	56	2,594	56	2,594	-	-

This activity includes the Offices of the Director of Administration, Finance and Budget, Personnel, and Management Services (except Publication Services) which provide administrative support services for the entire Commission. In addition to the work of employees assigned full time to administrative duties, staff time charged to this activity includes some work concerning Commission-wide administrative matters performed by nonadministrative employees, such as union activities, participation in occupational health and safety activities, equal employment opportunity (EEO) activities, participation on ranking and selection panels, and data-processing activities related to administrative functions. As a result, the number of work-years charged to administration is larger than the number of employees assigned solely to those duties.

FY 1986 and FY 1987 will continue to be periods heavy with administrative activity. There will be a more intense focus on the relocation of the Commission which will not only involve the actual move, currently scheduled to begin in the middle of calendar year 1987, but also extensive pre- and post-move activities will be necessary, such as planning for special space requirements, office layouts, and equipment needs. An automated personnel management information system is currently being developed to replace a manual one we have had to use for about two years since the General Services Administration was no longer able to service the Commission. We expect to be able to improve our analytical capabilities substantially and provide increased personnel information support throughout the Commission. In addition, the new Performance Management and Recognition System (the successor to the Merit Pay System) is being installed in the Commission, and with final publication by the Office of Personnel Management, the new Performance Based Incentive System (PBIS) will be implemented.

Effective use of Commission resources is assured through a management information-based accounting system, full compliance with the Federal Managers' Financial Integrity Act, and adherence to financial laws and regulations such as the Prompt Pay Act. Further efficiencies are obtained through the Commission's participation in the Diners' Club Charge Card Program and the use of a commercial travel agency. The Commission's computer and word processing capabilities will be used for such administrative applications as automated inventory control, procurement, and building services and security. Improvements are also currently planned for facilities management, records management, procurement, and property management, resulting in improved overall day-to-day support services.

Through management improvements, the Commission has been able to reduce resources required for Administration. In FY 1987 the Commission will use 56 work-years and $2,594,000 for this activity, compared to 59 workyears and $2,633,000 for FY 1986.

ACTIVITY 6 - EXECUTIVE DIRECTION

PROGRAM ANALYSIS

(Dollar amounts in thousands)

Activity	FY 1985 actual		FY 1986 appropriation		FY 1987 base		FY 1987 estimate		Increase(+)or decrease (-) from FY 1987 base	
	Work-years	Amount	Work-years	Amount	Work-years	Amount	Work-years	Amount	Work-years	Amount
6. Executive direction	34	2,155	36	2,466	38	2,603	38	2,603	-	-

This activity includes the work of the Commissioners and their assistants and some work directly related to Commission-wide activities performed by other employees, particularly by employees in the Office of the Secretary.

Although the Commissioners devote most of their attention to the substantive work of the Commission rather than to administration, the cost of the Commissioners' offices is included in this separate activity.

The Commission has allocated four full-time, permanent positions to each Commissioner. These staffs provide assistance to the individual Commissioners and enable them to cope with the increasing volume and complexity of their responsibilities. An additional two positions have been allocated to the Chairman's office to assist in carrying out the required administrative duties of the Commission. These duties have continually increased the workload in that office because primary responsibility for virtually all administrative functions of the Commission is assigned to the Chairman.

The actual time charged to this activity during FY 1985 was less than the planned rate because delays in the appointment of a new Commissioner resulted in vacancies in both Commissioner and supporting staff positions. The Commission anticipates a full complement of Commissioners and projects the use of 36 work-years and $2,466,000 for this activity in FY 1986 and the use of 38 work-years and $2,603,000 for this activity in FY 1987.

Ms. **Stern**. I think that there is a constant—even as we signed the last agreements, we knew that there was unfinished business, and I think that that continues to be the case, yes.

LITIGATION OF COMMISSION DECISIONS

Mr. **Regula**. A number of cases have been appealed, resulting in quite an increase in litigation. Do you have any statistics at this point to indicate the outcome of appeals? How many sustain your position, versus being overruled?

Ms. **Stern**. Counsel?

Ms. **Schlitt**. It is quite high, the number of cases where the Commission had been sustained.

Mr. **Regula**. I would be interested if you could detail how many times you made a recommendation to the Administration.

[The information follows:]

HEARING TESTIMONY INSERTS

Questions raised with the Chairwoman by Mr. Regula

Commission recommendations under sections 201 and 337 to the Administration and the results of such recommendations.

The Trade Act of 1974 provides that the President has 60 days to disapprove of a Commission section 337 determination. Since passage of the 1974 Trade Act the Commission has had 241 section 337 investigations, and has determined remedial orders appropriate in 57 investigations, issuing 55 exclusion orders and seven cease and desist orders. Of these determinations by the Commission, four were disapproved by the President for "policy reasons". In two, the President cited a potential conflict with parallel proceedings before the U.S. Customs Service as a basis for disapproval of the Commission's action. Welded Stainless Steel Pipe and Tube, Inv. No. 337-TA-29 (1977) and Duracell Alkaline Batteries, Inv. No. 337-TA-165 (1984). In the remaining two, the Commission subsequently issued new orders which were not disapproved by the President. Certain Headboxes and Papermaking Machine Forming Sections for the Continuous Production of Paper, and Components Thereof, Inv. Nos. 337-TA-82 and 337-TA-82A (1980, 1981), and Certain Molded-In Sandwich Panel Inserts and Methods for their Installation, Inv. No. 337-TA-99 (May 1982) and Modification Proceeding (Oct. 1982)

The Commission has conducted 56 investigations under section 201 of the Trade Act of 1974, resulting in 32 affirmative and 24 negative determinations. Where the Commission has made an affirmative recommendation for import relief, the President has granted some form of relief in 20 cases as follows: adjustment assistance in 8 cases; marketing agreements in 3 cases; and price supports, tariff increases and/or import quotas in 9 cases. Currently, there are four section 201 cases before the Commission.

USITC INVESTIGATIONS COMPLETED
UNDER SECTION 201 OF THE TRADE ACT OF 1974

INVESTIGATION	ITC RECOMMENDATIONS	PRESIDENT'S ACTIONS
Brich-Door Skins (TA-201-1)	No relief	
Bolts, Nuts & Screws (TA-201-2)	No relief	
Wrapper Tobacco (TA-201-3)	No relief	
Asparagus (TA-210-4)	Import quotas 1/	No relief (3-10-76)
Stainless & Alloy Tool Steel (TA-201-5)	Import quotas 2/	(orderly marketing agreement no later than 6-14-76) Import quotas (3-16-78) Proc: issued 6-11-76
Slide Fasteners (TA-201-6)	Adjustment Assistance 1/	Adjustment Assistance (4-14-76)
Footwear (TA-201-7)	Rate increase (3 comm) 2/ Tariff rate quota (2 Comm) Adj. Assistance (1 Comm)	Adjustment Assistance (4-1-76)
Stainless Steel Flatware (TA-201-8)	Tariff quotas (4 Comm.) Adj. Assistance (2 Comm)	Adjustment Assistance (4-30-76)
Gloves (TA-201-9)	No relief	
Mushrooms (TA-201-10)	Adj Assistance (3 Comm) Tariff rate quotas (1 Comm)	Adjustment Assistance (5-17-76)
Ferricyanide & Ferrocyanide Blue Pigments (TA-201-11)	Rate increase	No relief (6-1-76)
Shrimp (TA-201-12)	Adjustment Assistance 1/	Adjustment Assistance (7-7-78)

1/ Commission vote was divided evenly; the President had the option of selecting either vote as the finding of the Commission.

2/ In part.

INVESTIGATION	ITC RECOMMENDATIONS	PRESIDENT'S ACTIONS
Round Stainless Stell Wire (TA-201-13)	No relief	
Honey (TA-201-14)	Tariff rate quotas	No relief (8-28-76)
Plant Hangers (TA-201-15)	No relief	
Sugar (TA-201-16)	Import quotas	Price support (5-4-77)
Mushrooms (TA-201-17)	Tariff rate quotas (3 Comm) Adj. Assistance (2 Comm)	No relief (3-11-77)
Footwear (TA-201-18)	Quotas (4 Comm) Rate increase (1 Comm) Adj. Assistance (1 Comm)	Marketing Agreement (6-21-77)
Color TV (TA-201-19)	Import duties	Marketing Agreement Proc: issued (6/24/77)
Low Carbon Ferrochromium (TA-201-20)	No relief	
Cast Iron Cooking Ware (TA-201-21)	No relief	
Fresh Cut Flowers (TA-201-22)	No relief	
Certain Headwear (TA-201-23)	No relief	
Cast Iron Stoves (TA-201-24)	Import quotas 1/	No relief (9-22-78)
Live Cattle & Certain Edible Meat Products of Cattle (TA-201-25)	No relief	
Malleable Cast-Iron Pipe & Tube Fittings (TA-201-26)	No relief	
Bolts, Nuts & Large Screws (TA-201-27)	Import duties	No relief (2-10-78)
High-Carbon Ferrochromium (TA-201-28)	Import duties	No relief (1-27-78)

1/ Commission vote was divided evenly; the President had the option of selecting either vote as the finding of the Commission.

2/ In part.

INVESTIGATION	ITC RECOMMENDATIONS	PRESIDENT'S ACTIONS
Citizens Bands (CB) Transceivers (TA-201-29)	Import duties (3 Comm) Adj. Assistance (3 Comm)	Import duties (3-28-78)
Stainless Steel Tableware (TA-201-30)	Import duties (4 Comm) Tariff quotas (1 Comm)	No relief (6-30-78)
Unalloyed Unwrought Zinc (TA-201-31)	No relief	
Unalloyed Unwrought Copper (TA-201-32)	Import quotas	No relief (10-20-78)
Bicycle Tires & Tubes (TA-201-33)	Import duties (3 Comm) Adj. Assistance (1 Comm)	No relief (10-31-78)
Fishing Tackle (TA-201-34)	Import duties 2/	No relief (11-29-78)
High-Carbon Ferrochrome (TA-201-35)	Import duties (3 Comm) Quotas (1 Comm)	Import duties (11-2-78)
Clothespins (TA-201-36)	Quotas	Import quota (2-8-79)
Bolts, Nuts & Large Screws (TA-201-37)	Import duties	Import duties (12-22-78)
Machine Needles (TA-201-38)	No relief	
Non-Electric Cookware (TA-201-39)	Tariff increase	Tariff increase (1-2-80)
Leather Wearing Apparel (TA-201-40)	Tariff increase	No relief (3-24-80)
Certain Fish (TA-201-41)	No relief	
Roses (TA-201-42)	No relief	

1/ Commission vote was divided evenly; the President had the option of selecting either vote as the finding of the Commission.

2/ In part.

INVESTIGATION	ITC RECOMMENDATIONS	PRESIDENT'S ACTIONS
Mushrooms (TA-201-43)	Quotas	Tariff increase
Automobiles (TA-201-44)	No relief	
Fishing Rods (TA-201-45)	No relief	
Tubeless Tire Valves (TA-201-46)	No relief	
Heavyweight Motorcycles (TA-201-47)	Relief	Tariff increase
Specialty Steel (TA-201-48)	Quotas	Tariffs & Quotas (7-5-83) (48 F.R. 31177, July 7, 1983)
Stainless Steel Table Flatware (TA-201-49)	No relief	
Nonrubber Footwear (TA-201-50)	No relief	
Carbon & Certain Alloy Steel Products (TA-201-51)	Increased Tariffs & Quotas	Adjustment assistance 3/ (9-18-84) (49 F.R. 36813, Sept. 20, 1984)
Cooper (TA-201-52)	Increased Tariffs & Quotas	Adjustment assistance (9-6-84) (49 F.R. 35609, Sept. 11, 1984)
Canned Tuna Fish (TA-201-53)	No relief	
Potassium Permanganate (TA-201-54)	No relief	
Nonrubber Footwear (TA-201-55)	Quotas	Adjustment assistance (8-28-85) (50 F.R.35205, Aug. 30, 1985)
Electric Shavers (TA-201-57)	No relief	

3/ Also "Surge Control" mechanisms and industry monitoring.

Ms. **Stern**. Section 337(s), which is our intellectual property rights. We do our own litigation. The Justice Department is not going to do it for us.

Mr. **Regula**. You have your own staff?

Ms. **Stern**. If I might also add, we are an independent agency and we can't fall back on the Executive Branch of the Commerce Department. The USTR turns to us quite often. We don't have that luxury, and I would point out that in the dumping and in the countervailing duty case area, our caseload is going to be identical, because we have to work in tandem. I have noticed that the Executive Branch, Department of Commerce, actually proposed for FY 87 an increase of 55 positions and $2.4 million for its trade complaint operations. We didn't ask for anything.

[The information follows:]

Questions Raised With the Chairwoman by Mr. Regula

LITIGATION/APPEALS OF COMMISSION DECISIONS—NUMBER OF APPEALS, HOW THE APPEALS WERE SETTLED

Since 1980, by far the greatest number of Commission litigation cases can be summarized in two categories: (1) those currently pending in which no final judicial resolution has been reached (including a small number of cases in which the Court of International Trade has issued a ruling, but the decision has been appealed to the Court of Appeals for the Federal Circuit); and (2) those that have been terminated without a court decision on the merits, either by the parties' voluntary dismissal or dismissal on jurisdictional or procedural grounds. In terms of numbers, active appeals of the Commission's decisions have increased from 35 as of October 1983 to 75 as of October 1985.

Of those cases in which a final decision was rendered by the courts, the Commission has prevailed in far more than a majority, especially in the antidumping and countervailing duty cases. The Commission has also been upheld in most of its cases under section 337. The few reversals have most commonly occurred in appeals involving patent-based investigations in which the Federal Circuit disagreed with the Commission's conclusions regarding the validity or infringement of particular patents on which the investigations were based. The Commission has almost consistently been upheld by the Federal Circuit on non-patent issues in section 337 cases.

Mr. **Smith**. I didn't mean to keep you from highlighting your statement. If you have anything else to highlight——

Ms. **Stern**. This tells an awful lot. Last year the same thing occurred. Somehow I happen to believe that we need more resources for these complaints, and that conclusion was drawn by the Executive Branch when that was drawn up then and again for FY 87. Of course, not only are we independent, but we are small, so there is very little wiggle room there, and we do self-initiate rarely.

Again, Mr. Yeutter talked about self-initiation. We have to respond to those self-initiated cases when they come to us. The President self-initiated 201 cases, and with the DRAM's case, the semiconductor case, we have to take care of that case as well, because it was a dumping case. We are statutorily required to handle these cases. It is not like a program—let's go out and do this. We are at the mercy of our petitioners, whether they are the private industry or even the government, when it decides to self-initiate.

Again, with the pressures that you are all very well aware of, I don't see that lightening up in the coming year.

Mr. **Regula**. A couple of things. The TIMKEN case, your response please? When do you expect the report on the tax issue to the Senate Finance Committee will be made?

[The information follows:]

HEARING TESTIMONY INSERTS

Questions raised with the Chairwoman by Mr. Regula

Response to Timken problem and the Wall Street Journal article

Timkin's submission and the Wall Street Journal's article on Japanese efforts to increase imports from the United States present two sides of a market access problem. On the one hand Timkin faces Japanese pricing practices that it views as unreasonable and also long term relationships between Japanese firms. The Japanese contend that although their markets are open, U.S. firms either do not want to make the effort to sell or do not have appropriate articles to sell to the Japanese. As stated by one Japanese trading company official, "it is hard to import substantial amounts of manufactured goods because Japan already produces so many high-quality goods at good prices."

Japanese home-market pricing practices cannot be reached under our antidumping laws unless the firms are engaged in such "unreasonable" practices/export to the United States. Whether such pricing practices by individual firms provide a basis for action under section 301 of the Trade Act of 1974 must be determined by the President and USTR.

With regard to Japanese-owned firms producing component parts in the United States for other Japanese-owned firms, section 201 and other provisions of the trade laws consider such firms as part of a U.S. industry. Companies such as Timkin are simply facing increased competition from firms employing U.S. workers in facilities in the United States. The "fairness" of any relationship between the Japanese-owned firms is not within the scope of U.S. trade laws.

Again, disruption of existing long term relationships and the establishment of new trading relationships appears to be the source of the problem described in the Wall Street Journal article. Efforts such as Timkin's are necessary to accomplish this change and should be encouraged.

TIMKEN

THE TIMKEN COMPANY
GENERAL OFFICES
CANTON, OHIO, U.S.A. 44706
TELEPHONE: (216) 438-3000

November 22, 1985

The Honorable Ralph Regula
Room 2209
Rayburn House Office Building
Washington, D.C. 20515

Dear Ralph:

Your letter to Tim Timken concerning Japanese attempts to purchase American steel and our possible input on Congressman Michel's trade bill (H.R. 3522) has been referred to me for reply. Since I have the most direct involvement with trade issues from a legal viewpoint, Tim felt that it would be more appropriate if I responded with specific comments.

With regard to your attached article from The Wall Street Journal of October 23, 1985 on Japanese attempts to purchase steel in the U.S., our experience indicates there is no evidence to substantiate that the Japanese are seriously "shopping" for steel in the United States. In fact, during 1984 and the first six months of 1985, less than 1% of the steel exported by the United States steel industry was shipped to Japan, one of the major steel consuming markets in the world.

In the last two years we have not even received a single inquiry for our steel products from manufacturers or trading companies based in Japan. By contrast, in that same period, we have received export orders for our steel products from the following countries:

Argentina
Australia
Belgium
Canada
France
Germany
Great Britain
India
Israel
Italy
Netherlands
Spain

We do believe we could competitively sell our steel products in Japan especially in light of our new Faircrest Steel Plant capabilities, and an improving Dollar/Yen relationship. However, Japanese steel manufacturers would not likely price on a cost plus reasonable profit basis when faced with foreign competition. Our experience with attempting to sell tapered roller bearings in Japan (as detailed below) indicates that this is the case. Prices will be cut to levels not reflective of total cost in order to keep competition out.

We have had a sales office in Japan since 1975. This office has been staffed since 1977 by two U.S. trained Japanese sales engineers who have called on all major consumers of tapered roller bearings in Japan. We have offered prices which are extremely competitive based on worldwide market price levels. We have provided full engineering and application support services. We are willing to provide full importation services and invoice the customer in Yen. We have even agreed to provide local inventories to support the customer's "just in time" inventory programs. With all this effort, The Timken Company, as the largest tapered roller bearing manufacturer in the world, has only been able to achieve a market penetration of less than 1% of the tapered roller bearings consumed in Japan. This compares to the 14% penetration the Japanese have of the U.S. market. The Japanese bearing manufacturers have used prices which do not reflect cost plus reasonable profit and have relied on their keiretsu relationships to stop our efforts to penetrate the market. A recent example makes this point very well.

Because of the leading edge design work The Timken Company has done on transmissions, Mazda recently contracted for our assistance in redesigning two of their transmissions. Having done that for them, we submitted a quote for that bearing business at prices we thought reflected the level of the Japanese market. Compared with the quotes of two Japanese competitors, our quotes were 29% and 40% high for the two transmissions. Because of the excellent design support we had provided, we were given a chance to requote. We reduced our prices approximately 20%, having been assured by Mazda that they would pay a premium out of consideration for our technical expertise. Much to our dismay, the two Japanese firms reduced their prices even more, so that our new lower quotes were 53% higher than theirs. We firmly believe these prices are well below the cost of manufacturing irrespective of any exchange rate differential. Needless to say, we were unable to obtain any of Mazda's business.

After Prime Minister Nakasone's early 1985 speech urging Japanese manufacturers to buy more U.S. products, we approached numerous accounts to see if their purchasing plans for imported bearings had changed. The responses were almost identical stating that price, quality and delivery were of primary concern in the purchase decision and that Government policy would not change their previous purchase patterns. This sentiment, along with our Japanese competitors' willingness to arbitrarily cut prices, and the influence of "keiretsu" groups causes us to be pessimistic about a sudden increase in Japanese purchases of our products.

Our position on the difficulty of selling bearings in Japan was more fully developed in Joe Toot's presentation to the ITC on October 3, 1985 and our prehearing and posthearing briefs in that action. Your staff may want to review our submissions for additional details.

We have also met the same resistance in the United States when we have tried to sell our bearings to Japanese automakers. The major impediment in this area is that virtually all the bearing consuming subcomponents for the passenger cars and light trucks manufactured in the United States are imported from Japan with the bearings already included. For this reason, our attempts to call on both Nissan and Honda have not been successful. Honda has been reluctant to even talk to us and Nissan indicated they will let us know if they decide to begin assembling bearing consuming subcomponents in the U.S. This reluctance hardly typifies the attitude of companies interested in developing a U.S. supply base for tapered roller bearings.

Even if the U.S. based Japanese manufacturers do decide to begin purchasing components in the United States, as some of them have done, it is from Japanese component suppliers who have also moved here. These Japanese component suppliers set up facilities with capacities larger than that needed to just supply the Japanese automobile or light truck manufacturer. They use the "captive" supply relationships with the Japanese automobile manufacturer to provide the economies of scale which enable them to penetrate other U.S. markets and take sales away from other U.S. companies who are essentially excluded from supplying the Japanese vehicle manufacturer.

Thus, from our vantage point as a seller of tapered roller bearings and specialty alloy steel, we see little or no evidence that Japanese firms are seriously attempting to purchase these commodities from U.S. producers.

On your request for input to Congressman Michel's bill to amend Sections 201 and 301 of the Trade Act of 1974, we have to point out that we have not filed any actions under either of these procedures. Our experience has been in the area of the Antidumping Code, however, due to our involvement in trade matters, we do have some thoughts on these statutes.

The vehicle that is being used for the 201 and 301 amendments is H.R. 3522 entitled the "Trade Partnership Act of 1985" which was introduced in the House on October 8, 1985. It is a very comprehensive bill and covers a variety of topics beyond 201 and 301. In order to provide input on a number of the proposed changes and, so as not to unduly lengthen this letter, we have prepared position statements on the sections of H.R. 3522 that are of interest to us. These are enclosed for your use.

We welcome your request for input, and we hope that our comments will be considered by you as you review this bill. If you need further explanation on any of our input, please contact me at 216-438-4226.

Sincerely,

R. M. Chapis
Director - Legal Services

js/7299e

Enclosures

cc: W. R. Timken, Jr.

ARTICLES OF INTEREST

As a result of our fall survey, we found that many of you would like to be receiving articles and editorials relating to steel and trade issues. This particular article may help our members with ideas on district projects for local companies wanting or needing to export to Japan or other countries with seemingly impenetrable markets.

---

36 THE WALL STREET JOURNAL WEDNESDAY, OCTOBER 23, 1985

INTERNATIONAL

Japanese Crash Import Program Falters; Unlikely to Narrow U.S. Trade Imbalance

By E.S. Browning
Staff Reporter of THE WALL STREET JOURNAL

TOKYO—Shiro Kawada loves U.S. technology. But he hates U.S. salesmanship.

Mr. Kawada is the purchasing chief for electronics giant Hitachi Ltd., which, like all major Japanese companies, is under government orders to import more. This August he visited 42 U.S. companies in 13 states.

"The U.S. is superior to Japan" for specialized machinery, such as ultrahigh-pressure manufacturing equipment, says Mr. Kawada. He was especially impressed by small companies that put defense technology to commercial use.

"But I learned with surprise that these companies are indifferent to exports and to doing business with Japanese companies," Mr. Kawada says. "They just assumed they couldn't export to Japan." He made some purchases and warned the Americans to try harder.

No Followup

Tsutomu Ohshima, who heads procurement at Toyota Motor Corp., returned from his own U.S. trip this summer with similar sad tales. Some small U.S. concerns never followed up after he said he liked their products. Others were reluctant to customize items to meet Toyota's needs.

"They tell us that their product is used by General Motors, and they think that should satisfy us. But of course it doesn't," Mr. Ohshima says.

Prime Minister Yasuhiro Nakasone announced last April that Japan would undertake a crash import program this year. But despite intense Japanese government pressure for sharp import increases, companies here are finding it a tall order. Many executives resent the ritual buying missions they have had to undertake, and they are smug about U.S. weaknesses.

The results so far throw cold water on hopes for a quick solution to the U.S. trade deficit with Japan. They also cast doubt on the widely held U.S. notion that Japan can simply set a target for a lower trade surplus and then force its companies to meet it.

"I go into my customers' offices and they have Mr. Nakasone's picture on the wall," says James McGrath, representative director here of Monolithic Memories Inc., a U.S. semiconductor maker. "They say their supervisors have told them to make a bigger effort to import. But have I seen any increase in my business? I have to say that I haven't."

To be sure, Japanese companies are importing more. The government says 134 major companies are boosting total imports this year by $7.3 billion, an increase of 7.5% over last year. Hitachi's Mr. Kawada says he plans to buy $350 million worth of computer software, manufacturing equipment, semiconductors and other goods from the U.S. this year, 35% more than he did last year. And many companies say they are changing their attitudes toward imports, laying the groundwork for major changes with time.

But many businessmen still see imports as an unreliable nuisance. At quite a few companies, import growth this year is slower than last, despite the crash program. Toyota forecasts a 28% jump in imports this year, down from 38% last year. Imports still make up less than 5% of procurement at Toyota, although exports make up more than 40% of production.

To please the government, Toyota is importing air freshener, cassette holders and car wax to sell in its dealerships, as well as U.S.-made helicopters for its executives. But the auto giant is having trouble beefing up imports of actual auto parts. Indeed, Toyota's difficulty helps illustrate the import problems many Japanese companies face.

> 'I LEARNED with surprise that these (U.S.) companies are indifferent to exports and to doing business with Japanese companies,' says a Hitachi Ltd. official.

One of Toyota's greatest production strengths—and one of its biggest impediments to imports—is its much-imitated "just in time" supply system, under which parts are delivered just before going on the car. That keeps storage needs and financing costs minimal. But it also means that Toyota has had to require its key suppliers to locate factories near its central-Japan plant, or lose the business. It is a system that hates imports.

Serious Problem

"For parts coming from abroad we keep inventories of one or two months," says Toyota's Mr. Ohshima. "That means storage space and interest costs. Of course we try to make our inventory of foreign parts as small as possible."

What's more, Mr. Ohshima thinks U.S. products simply can't match Japanese quality. "At our new joint-venture production plant with General Motors Corp. in California we now are getting parts from 75 (U.S.) suppliers," says Mr. Ohshima. "The percentage of defective parts is very high compared to the percentage from our Japanese parts suppliers. Among our Japanese suppliers it is less than 1%—sometimes less than one-tenth of 1%. In the U.S., I am afraid it is greater than 1%."

Mr. Ohshima says Toyota already is worrying about the quality of parts it will receive in a few years, when it builds its planned wholly owned production plant in the U.S.

Other enterprises also are finding it hard to import. Steel companies, facing slack world markets as well as U.S. government limits on their sales to American customers, are importing less coal and iron ore this year than last. In an effort to show good will, they are promising to buy some research equipment, and they are scratching around for other things to buy.

An affiliate of Nippon Steel Corp. is planning to import U.S. wine and sell it to employees, supermarkets and restaurants. Kobe Steel Ltd. is going to import $2 million a year in wine, oranges, frozen foods and sporting goods for sale to its employees.

Candid Thoughts

Privately, Japanese businessmen say that if they really thought they could benefit from importing more, they would have been doing it before.

"Actual buyers say there is very little real pressure trickling down on them," says Mr. McGrath of Monolithic Memories. "The designer has to live with his product. If he puts in a foreign part and there is a problem, he is the one who gets transferred to Hokkaido (Japan's northernmost island)."

Japan's large trading companies have created special funds to encourage buyers to investigate imports that they might otherwise ignore as too small or unprofitable. But Yukio Ohnuma, an official at C. Itoh & Co., one of the trading companies, says it is hard to import substantial amounts of manufactured goods because Japan already produces so many high-quality goods at good prices.

Asked for an example of something new C. Itoh is importing this year, he finds it hard to think of one. He says he thinks market forces are going to have a lot more to do with trade than are promises of special import programs.

"The main impact will come from the exchange rate," says Mr. Ohnuma. "And unless this exchange-rate change (the fall of the U.S. dollar) continues, I don't think it will have any significant impact."

Ms. **Stern**. They told us to do the study within four months and that worked out to be April 2, but I am very anxious to discuss this again with the Finance Committee, because the scope is getting much bigger than we had envisioned when we negotiated that letter. That is particularly on the question of personal savings versus consumption, and whether our tax system, how it differs from other countries. That had not been the focus of our primary study.

I would like to meet that April 2 deadline, and we are supposed to make this thing relevant, and they are marking up now.

Mr. **Regula**. Do you think labor practices in other countries, low wage rates, sweatshops, child labor, et cetera, constitute an unfair practice?

Ms. **Stern**. Under the law now it is not defined unfair. Under section 201, industries come in and say we can't compete with these imports, we need a breathing spell. Those imports are increasing, and they may be cheaper for all kinds of reasons, including labor rates, so we get at it from that direction.

We have also been asked to discuss labor considerations in a 332 that—I think it is in our monitoring of the steel program—I think we have been asked to look at the labor question. I would like to leave that to the Congress to decide. That has always, as defined by the Commission, been a comparative advantage. If you can make something cheaper, that is your comparative advantage. We try to meet it with increasing our capital investments or higher technology components.

I don't need to tell you, coming from the district that you are in, many of the survival tactics of firms today is to bring in components from overseas, that utilize cheaper labor, and try to assemble it here. Sometimes it may be a more sophisticated operation than just assembly and packaging, but it is a different world.

We don't have a unified, you know, system where everyone has got the same cost input. Whether it is unfair? I notice Senator Packwood asked these same questions, of Mr. Yeutter back several months ago when he had some hearings on it.

INDEPENDENT AGENCY STATUS

Mr. **Smith**. Is your status as an independent agency threatened by the recent Supreme Court decision?

Ms. **Stern**. We do not have any police authority. We do not enforce our regulations. The Customs Service does.

Mr. **Smith**. You are still not either Executive or Legislative?

Ms. **Stern**. Correct. But as I understand that particular decision, the emphasis——

Mr. **Smith**. I wasn't just referring to the Gramm-Rudman decision alone, but the one that came from the court.

Ms. **Stern**. So far, we have not felt that there has been any threat from the courts in this way.

Mr. **Smith**. You have not had a case brought to the courts, I mean a challenge to your right to exist as you exist?

Ms. **Schlitt**. The commission is potentially affected by cases like the recent case against the FTC. The court accepted jurisdiction, but dismissed it for lack of ripeness. That case challenged the existence, in effect, of a fourth type of establishment in the U.S. Government, a member of none of the three Branches. Also, some of the *dicta,* extensive *dicta,* in the recent Gramm-Rudman decision that will eventually go to the Supreme Court, it is possible that things that will be said in those cases, assuming the FTC case at some later time is brought up again. The Gramm-Rudman case, that has been scheduled for oral argument before the court, there could be developments out of those cases that would reflect upon the status of independent agencies and independent establishments Of course, the Commission is somewhat different than a lot of other independent agencies.

Mr. SMITH. How do you differ from the others and how would a challenge be different?

Ms. SCHLITT. In some cases, the Commission is similar to those agencies whose status has been challenged. But the Commission does not itself execute its decisions; they are executed by Treasury or they are in the format of, a recommendation to the President. So the Commission is not out exercising police powers. Some of the challenges to other independent agencies have been because they regulate, which the Commission does not do; it does not regulate an industry. There was at one time a proposal for the Commission to regulate, but that regulation was not issued. It does not regulate or police, and that makes it different in some respects——

Mr. SMITH. Fact finding activities would not fit in the same category as FTC orders?

Ms. SCHLITT. I am sorry, I don't understand.

Mr. SMITH. In other words, your fact finding activities, would not be challengeable in the same way?

Ms. STERN. They have not been.

I might also just add that we are regulating, we have been delegated by Congress, your constitutional role to regulate foreign commerce, and in a sense, we are closer to the Congress than we are to the Executive Branch because of that, and I think that separates us from the kinds of duties——

Mr. SMITH. Can we delegate that kind of authority?

Ms. STERN. It is subject to that, but different from the kinds of challenges which are going on now, which have to do with the authority to police, for the President to be able to delegate that kind of activity.

RELOCATION

Mr. SMITH. Tell us about your relocation plans.

Ms. STERN. Our relocation plan is also something I appreciate having the opportunity to comment on. The budget request that is before you does not include any money for relocation funds. The current building will be transferred to the Smithsonian Institution, when a lease is signed between GSA and a developer in late February or in early March.

Mr. SMITH. Will you have all of that site?

Ms. STERN. It has not been made public at all where we are going, and we are in the very final stages, and I would be happy to discuss this in private or by letter, however you prefer.

Mr. SMITH. Do you anticipate anything being in the '87 budget by way of supplemental or otherwise?

Ms. STERN. I believe that we will have to come back to you with a supplemental once we have worked out between the GSA, the developers and ourselves, who is paying what. This is a forced move from our point of view.

Mr. SMITH. How much space do you occupy now?

Ms. STERN. We are in four different sites, and we are presently occupying 147,320 feet.

Mr. SMITH. How much square feet do you anticipate occupying in the new location?

Ms. STERN. The plan was for approximately 170,000 feet.

Mr. SMITH. For more square feet. How much are you paying per square foot, how much did GSA ask you for in the '87 budget?

Mr. ARNOLD. In the '87 budget they have told us we will be paying $2,133,000 for the space we presently occupy.

Mr. SMITH. Fifteen, sixteen dollars per square foot?

Mr. ARNOLD. I don't have an average for the entire—about fifteen and a half dollars.

Mr. SMITH. Your new building will cost you obviously more per square feet, but you will have more square feet?

Mr. ARNOLD. Yes.

Mr. SMITH. Before you could relocate, you would have to have a supplemental if done in 1987?

Ms. STERN. Yes sir. We would have to come to you for a supplemental.

The Smithsonian is primed to take the building, and we basically have been told to go. So we are facing a choice of that or——

Mr. SMITH. What about relocation costs? Does it cost a great deal to relocate?

Mr. ARNOLD. At this point, we are anticipating over the next month or two to be meeting with GSA and the developers. Assuming that the lease is signed, and as a result of those meetings it will be determined what the developer will complete in terms of any special needs. As a result of that, depending upon the timing of those needs, we will come to you with either an '86 supplemental request or an '87 amendment for the actual direct costs, as opposed to rent. For rent we will talk about '87 or '88, depending upon the actual move date.

Mr. SMITH. Do you have any estimate of relocation costs at this date?

Mr. ARNOLD. No sir.

Mr. REGULA. Some additional positions are important because they are going to have a heavy workload. I would like to explore what the need of the Smithsonian is for that space.

Ms. STERN. We could have used you a couple of years ago. Congress passed a bill two years ago which set in motion our search with GSA for a new building, a new site to be developed.

Mr. REGULA. Prior to Gramm-Rudman?

Ms. STERN. No question about it.

Mr. SMITH. You are expecting a 170,000 square feet. You have 147,000 where you are, but had you not had to move, you could have sufficed with 147,000. Are you at one location?

Ms. STERN. No, we are at four. We have that problem, and we in fact have some funds in here to try to finance more storage space. We are very much pushed up against our confines.

Mr. SMITH. Once the move is accomplished, you still would be much better off in two buildings?

Ms. STERN. We hate to leave this building and we would have loved to have had the money spent that Congress authorized a few years ago to fix up the building so it would have been usable, but it is behind us now. Psychologically, it is behind us now. We are going and we are going to make the best of it. The bidding process was a very useful one. It was the first time the GSA got to do the bidding process with joint participation from the agency which was going to occupy the space. There were six responses, and many came in at the level of the solicitation that went out—in the range rather. We are hopeful that the construction process will be as cooperative as the solicitation process has been heretofore.

Mr. REGULA. Are you going into a new building?

Ms. STERN. The building is to be developed. There is to be a ten-year lease with the GSA. There was nothing in response to the original solicitation that was existing which came in, so then they had to re-solicit and give a little more time for when the building needed to be available to accommodate the possibility of buildings to be built. But again, I would like to underline that the figure that they came in on was in that range that Congress, the Public Works Committee, had instructed the GSA to be appropriate.

Mr. SMITH. Any more questions?

Ms. STERN. We have a lot of special needs—hearing rooms, and to knock out an existing building to create hearing rooms, an enormous public library, which is available to the public on trade. These were the main reasons why it was very difficult to get anyone to come back in.

Mr. SMITH. Thank you very much.

Ms. STERN. Thank you.

[Statement of Paula Stern, questions for the record and the answers thereto follow:]

STATEMENT OF PAULA STERN, CHAIRWOMAN
UNITED STATES INTERNATIONAL TRADE COMMISSION
BEFORE THE SUBCOMMITTEE ON COMMERCE, JUSTICE, AND STATE, THE JUDICIARY, AND RELATED AGENCIES, COMMITTEE ON APPROPRIATIONS
U.S. HOUSE OF REPRESENTATIVES, FEBRUARY 18, 1986

Mr. Chairman and members of the Subcommittee, thank you for the opportunity to present the Commission's budget request for FY 1987. Accompanying me today are Commissioners Eckes, Lodwick, Rohr and Brunsdale, and Rick Arnold, Director Finance and Budget.

Last month it was reported that in 1985, the U.S. chalked up a trade deficit of $148.5 billion, the largest in history. When I appeared before you last year the deficit was $123 billion. This was the fourth consecutive year in which a record trade deficit was set. As the deficit grew so did our workload.

The budget request approved by the Commission totals $29,700,000 and 482 full-time permanent positions. This represents an increase of $1,100,000 (or 3.8%) over our FY 1986 appropriation before the Gramm-Rudman-Hollings reduction. This is a request to fund operations at the same level as authorized for FY 1986, and does not include any program increases. No additional staff is being requested. In the non-personnel area we are asking for an increase of less than one percent to meet operating costs and just over one percent for GSA space rate adjustments.

Let me briefly explain the reason for the increase over FY 1986. Some forty-one percent of the increase, or $452,000, is devoted to increased salary costs. Some thirty-nine percent of the increase, or $431,000, is devoted to increases in space rental costs (not associated with our planned relocation). The remaining twenty percent, or $217,000, pays for various non-personnel costs, such as equipment rental, printing and other services, and supplies and materials.

Mr. Chairman, I believe this amount represents the bare minimum necessary to meet our obligations for what we expect will be an extremely busy year. I should stress that most of our workload - the number of investigations and studies - is beyond our control; we are usually responding to statutory requirements. Furthermore, much of our workload is subject to tight statutory deadlines. Your subcommittee recognized the delicate balance between the Commission's workload and staffing levels during our hearing on the FY 1986 budget. At your request we have been providing quarterly reports on our caseload and our efforts to staff fully our authorized positions.

I personally feel that this budget request is not only the bare minimum necessary but may even fall below our needs in terms of manpower. Trade continues to be an Administration priority as noted by the President in his recent State of the Union address. The Department of Commerce has proposed a FY 1987 increase of 55 positions and $2.4 million for its trade-complaint operations. Since the ITC's workload parallels that of Commerce, we too, must be prepared for a substantial increase in the demand for our resources. Unlike the International Trade Administration, we are not part of a large agency like the Department of Commerce which can fund priority programs by moving resources from discretionary activities. Unlike the Office of the U.S. Trade Representative, we are not part of the highest levels of the Executive Branch and able to call on many agencies for staff support and assistance. We are a small independent agency for whom underfunding is quickly reflected in the quality and timeliness of our performance. I appreciate the fact that your subcommittee has understood our situation and regularly supported the Commission's important work. It shows your concern for our industries and those in government who are trying to assist them.

The Balanced Budget and Emergency Deficit Control Act of 1985, or Gramm-Rudman-Hollings, will result in a $1,230,000 reduction in the Commission's FY 1986 appropriation, reducing us from the $28,600,000 that you appropriated to $27,370,000. During the first quarter of FY 1986 the Commission operated under Continuing Resolutions. In order to conserve funds during this period, travel, training, and other activities were severely curtailed. As a result, the Commission realized savings which will aid us in absorbing the impact of the Gramm-Rudman-Hollings reduction for the rest of the fiscal year. We plan to continue limiting support costs while maintaining the Commission's productive capacity, its permanent people at authorized levels.

I have directed reductions in support services such as postage, communications, rentals, printing, other services, and supplies. This approach, however defers current needs rather than eliminating them, in order to support our most valuable asset, highly knowledgeable trade experts who are skilled in reviewing, analyzing and reporting on trade-related issues.

If these cutbacks were to continue at this level, the Commission would have to consider staff reductions. Less staff participation in investigations or other mandated work would put the Commission in the position of: (1) not being able to handle the anticipated caseload; (2) not being able to fulfill its full statutory quasi-judicial responsibilities; and, (3) not being able to fulfill its other mandated work, such as providing trade-related assistance to the Congress and the President.

The Commission's central activity, the performance of statutorily required trade-related investigations and research studies, continues to grow as the result of a continuing increase in case filings that began in FY 1982. We expect to work on 324 cases in FY 1987 compared to 314 in FY 1986. In FY 1985, although 338 cases were worked on, 35 carbon steel cases were received and consolidated into 5 investigations, for an actual "investigative effort" of 308 cases. Therefore our FY 1987 investigative effort is projected to be some 5.2 percent greater than FY 1985, the busiest year in the Commission's history. Through the first four months of FY 1986, 83 new cases have been initiated.

Our caseload continues to grow not just in size, but also in the diversity and complexity of the cases brought before us. The antidumping and countervailing duty statutes continue to be our most active areas. During FY 1985 the Commission had 217 active cases in this area. Although steel and other manufactured products are the most frequent subjects of these investigations, cases involving other industries, such as agriculture, chemicals and high tech products reflect the increased import sensitivity of the U.S. economy across-the-board. For example, we have a pending final antidumping investigation on 64K dynamic random access memory semiconductors (DRAM's), and have recently completed preliminary antidumping investigations on 256K and above DRAM's, erasable programmable read only memories (EPROM's), and cellular mobile telephones.

Many of our most celebrated cases are filed under section 201, also known as the "escape clause". In 1985 we completed two escape clause cases, footwear and potassium permanganate. Although conventional wisdom holds that these cases are reserved for presidential election years, we already have five section 201 cases before us this year, including wood shakes and shingles, electric shavers, certain metal castings, apple juice and steel fork arms, and expect a total of eight such cases this year. We expect a continued high level of interest in section 201 in FY 1987.

We see little prospect that the forces that are producing so many requests for import relief will be reversed any time in the near future. Part of the continuing surge in our caseload can be traced to the strong dollar, which, even with recent declines relative to major currencies, remains high. The beneficial effect of recent declines has yet to reach beleaguered U.S. producers because of the substantial lag time involved before dollar declines translate into import price increases. However, masked by the high value of the dollar are fundamental shifts in the competitive position of many U.S. manufacturers in an increasingly global marketplace. Both newly industrialized countries and traditional business rivals are posing new challenges to many established industries in the U.S.

The Trade and Tariff Act of 1984 requires the President to conduct an extensive review of the Generalized System of Preferences (GSP) by January 1987. As part of this review the Commission recently completed an investigation with respect to all articles covered by the GSP. This was the largest and most detailed "probable economic effects" type of investigation the Commission has conducted since 1975 when such advice was prepared for the Multilateral Trade Negotiations. It required 25 percent of the staff time of our Office of Industries (our largest single component) to prepare the documentation for this review. Significant effort also will be required to study the economic impact of the conversion of GSP eligible items from the TSUS to the Harmonized System. Further GSP activities are anticipated in FY 1986 and 1987. Also, assistance in providing advice in negotiations will increase significantly when the major trading nations embark on the new round of trade negotiations called for by the President.

Another important responsibility we have is to prepare fact-finding reports and analyses for use by Congress and the President in the development of U.S. trade policy. Much of this work is conducted under section 332 of the Tariff Act of 1930. Studies under section 332 are usually requested by our oversight committees or by the President. In addition we try to anticipate the needs of trade policymakers by self-initiating 332 studies; for example, we self-initiated the report on U.S. Trade Related Employment which we are told has been repeatedly used outside the Commission as well as inside in helping identify the impact of trade flows on jobs.

We are increasingly involved in preparing background studies on sensitive and controversial issues. For example, at the request of the Senate Finance

Committee we have a study underway on the effects of proposed tax reforms on the international competitiveness of U.S. industries. We have recently conducted studies on issues such as the importation of softwood lumber, the effectiveness of trade dispute settlement under the GATT, of U.S. and EC pork in the U.S. and third country markets, and of the impact of steel import restraints on several major steel-consuming industries, including the construction machinery industry using Caterpillar Tractor Co. as a principal case study. We currently are studying the impact of U.S.-Mexican trade on Southwest border development, and anticipate beginning studies on a U.S.-Canada free-trade agreement and U.S.-Canada services trade which we estimate will require an even higher percentage of the Office of Industries time than our large GSP study.

During FY 1985 the Commission had 52 active Section 332 studies. Of the eleven studies now underway or anticipated in the immediate future, ten are direct requests of the Congress or the President.

To round out a description of the full range of the ITC's activities requires mentioning the continuing role the Commission is playing in the conversion to the Harmonized System, and the listing of periodic reports on several commodities, including automobiles, heavyweight motorcycles, motor vehicles and parts, footwear, steel, rum, mushrooms, and the performance of the steel industry. In addition, we provide our oversight committees numerous reports on proposed legislation to be used as background material for committee consideration of these bills. During FY 1985 we provided assistance on 133 pieces of legislation. Our independence, analytical expertise, and data-gathering ability will continue to attract requests for timely reports on current trade issues. This creates a continuing need to create and maintain expertise in new areas in order to keep up with developments in international trade.

In recent years, a major litigation workload has developed at the Commission, resulting from appeals to the courts of the Commission's decisions. There has been a steady increase since the early 1980's, with recent workload increases of 92 percent since January 1984 when the Commission had 39 active cases, and January 1986 at which time there were 75 active appeals. Unlike some other agencies, the Commission's legal staff is responsible for arguing these appeals, rather than the Department of Justice. These cases are increasingly more complicated, both because of procedural requirements of the courts and of more technical subject matter arising generally in our cases. The level of litigation shows no signs of abating in the near future, and now must be recognized as an on-going workload category as are the Commission's statutory investigations.

The Commission's budget request does not include funds for the relocation of our activities. In 1984 Congress passed and the President signed legislation that transfers our current building, where most of the staff works, to the Smithsonian Institution when a suitable location for us has been found. Commission staff has worked with the General Services Administration (GSA) since that time to locate an appropriate building. We expect that a lease will be signed between GSA and a building developer in late February or early March 1986. Internally the Commission has taken several measures to prepare for our move, but little more can be done until a lease is signed. At the time the budget was prepared there was much uncertainty regarding our move, so a request for relocation funds would have been premature. Now that the Commission is expecting to move in late summer 1987, we will be able to evaluate the costs of our relocation. The Commission will likely come back to you with a request for additional funding within the next few months.

I would like to conclude on a personal note. I have been a Commissioner for seven and a half years, and Chairwoman for nearly two. I have personally witnessed many changes, both domestic and international, that have led to great shifts in trade and their impact on the U.S. economy. The Commission has been asked to do more and more to help industry, the Congress and the President deal with those changes. I have observed first-hand the internationalization of the U.S. economy and appreciate the heightened importance of our work. I credit the Commission's staff for maintaining the high standards of quality and objectivity that Congress expects us to meet. Since this is my last appearance before you as Chairwoman, I want to thank you for the support you have shown us over the years. You have provided to us the opportunity to serve this nation, the Congress and the President with high quality, meaningful products.

Few agencies are experiencing such disproportionate growth in responsibilities relative to their size. Our work increases when American industry is feeling injured. We are often perceived of as the last hope for U.S. industries as they grapple with the realities of the global marketplace. The current trade problems are exerting tremendous pressure on all of us but we are confident that, with the continued support of Congress, the Commission can meet the challenge.

In submitting the Commission's budget request for fiscal year 1987, I firmly believe that this is the minimum necessary if we are to meet the growing demand for our services and meet our objectives as defined by Congress. In spite of the enormous workload facing the Commission, we are presenting a parsimonious, bare bones budget and are not asking for an increase in our authorized personnel strength.

Mr. Arnold and I will be pleased to answer any questions you may have. Thank you.

FY 1987 Budget Questions from Mr. Smith

1. Question:

Of the 78 staff years spent on research studies conducted under section 332 in FY 1985, how many were spent on Congressionally-requested studies; how many on studies requested by the President, and how many on self-initiated studies?

Response:

The Commission feels that to assist Congress and the executive branch carry-out their trade responsibilities is one of our most important endeavors in light of accelerating trade issues, increasing complexity of the problems to be addressed, the entrance of vigorous new competitors in the trade area, and the vulnerability of the U.S. economy. To do this the Commission conducts investigations requested by the Congress and the President, and after consultation with congressional committees and the executive branch carries out research studies on its own initiative on emerging trade issues and areas. These "self-initiated" studies are conducted in order that the Commission be prepared to provide in depth information in any trade area to the Congress and the President when requested.

Of the 78 work-years expended during FY 1985 on investigations and research studies under section 332, 22 work-years were for cases specifically requested by the Congress, 33 work-years were for cases specifically requested by the President, and 23 work-years were for cases "self-initiated" by the Commission. The 23 work-years on "self-initiated" cases included fact finding in such areas of importance to trade policy makers as the commuter aircraft industry; trade with developing countries; multifiber agrrangement; internationalization of the automobile industry; effect of barter and countertrade transactions; and emerging textile-exporting countries.

2. Question:

Why does the ITC continue to publish the synthetic organic chemical reports when its mandate to do so ended in 1981? What federal agencies use these reports? (page 27)

Response:

The Commission has continued to publish the synthetic organic chemicals (SOC) report beyond the end of the legislative mandate in order to meet the demand for its continuation, expressed by other Government agencies, the industry, and the public. It does so under the authority of section 332 of the Tariff Act of 1930. The chemical industry cooperates in furnishing much of the data included in these reports because of the high value it places on having continuing access to this published information, and because this information would not be collected or published if the Commission discontinued the report. In the past we published three reports -- annual and monthly reports of production and an annual import report. The monthly reports are now done on a quarterly basis and the import report has been discontinued.

While used by a wide variety of agencies, the most extensive use of the SOC reports is made by the Department of Commerce and the Environmental Protection Agency. Of particular note, the Census Bureau, in lieu of collecting and publishing annual production statistics in this chemicals sector, directs its subscribers to the Commission's SOC reports. The Commission is currently working with the Census Bureau to convert the SOC report to a Harmonized System (HS) format.

3. Question:

The ITC and the Commerce Department seem to publish a lot of competitive assessment reports dealing with specific products. Often these reports seem to overlap. Is there any coordination between the 2 agencies on doing these type of reports. Is there a way to avoid overlapping reports?

Response:

A standing requirement at the outset of all ITC product studies is that analysts do a literature search and check with agencies known to do similar studies to determine whether a similar study has recently been done or is underway. To reinforce this practice, in mid-1985, the ITC Office of Industries began a series of meetings with Commerce Department officials having immediate responsibility for such Commerce studies, and instituted a process of sharing study plans as topics reach the decision stage. We further reinforce this process by selective case-by-case contacts when individual study topics are under preliminary consideration. The Commerce and ITC staff units involved are committed to avoid overlapping studies. We note that our competitive assessment reports are typically requested by Congress or the President.

4. Question:

What percent of the 24 staff years spent on professional assembly and analysis of information is spent on travel? What percent is spent on reading journals in the office? Is the majority of this time spent by industry analysts visiting plants? (page 9)

Response:

The Commission's expenditures on professional assembly and analysis of information are divided between fieldwork/travel, formal training, development and maintenance of commodity data files, review of research and trade literature, and miscellaneous research not associated with formalized ongoing investigations. The majority of these expenditures are incurred by our Office of Industries.

General fieldwork/travel accounts for 10-20 percent of such expenditures in a typical year. Roughly half of such travel time is spent touring production facilities; the remainder is invested in industry association conferences and meetings, Customs Service seminars, institutional seminars, and other training programs.

Another fifth of this budget area is devoted to building and maintaining vital commodity/industry data files for use in all phases of Commission work.

The remaining three-fifths of this budget item is divided between review of research and trade literature and conduct of miscellaneous research on emerging issues and issues of concern to senior staff and Commissioners which are not associated with formalized ongoing studies.

This activity, which takes up roughly one twentieth of the Commission's staff time, has become increasingly indispensable as it has become more and more difficult to attract and retain the same level of expertise as in years past. With a turnover rate as high as 10 percent in some units, this is an unavoidable cost of maintaining and improving expertise.

5. Question:

Why are trade and tariff summaries updated so often? Which federal agencies use them? To what extent are these reports "make work" projects to keep industry analysts busy? What percent of the trade and tariff summaries involves products that the ITC deals with as cases? (page 28)

Response:

When the Commission completed the current series of summaries in FY-84 it was hoped that they could be updated every two years because of the rapidly changing status of U.S. international competitiveness and the increasing volume and variety of cases undertaken by the Commission. In practice the Commission is finding it difficult to adhere strictly to two-year supplements because of the increasing demands for section 332 investigations. In fact, very few summaries were updated in FY 85 and resource demands in FY 86 would appear to preclude much work in this area.

The summaries have a wide audience including the Congress, other Government agencies, and the business public, as well as being an extensively used internal reference document. A survey of Government users indicated the following types of application: The USTR consults these documents in connection with their trade policy functions; the Customs Service uses them to train their import specialists; they are often referenced in U.S. Court of International Trade findings; and the summaries are a general reference source for commodity/industry specialists throughout the Government. In addition, there is an industry demand for the summaries as evidenced by the number of requests for individual summaries upon publication.

Summaries are a vital part of analyst training and background preparation for required investigative work. Virtually 100 percent of the summaries involve products that the ITC deals with as cases since a large part of the Commission's work for the President and Congress involve comprehensive analyses of trade policies on all U.S. industries. Examples of such studies involving all commodity areas include Commission analyses of the new GSP program, the Israel FTA, the Canadian FTA, the Caribbean Basin Initiative, U.S./Mexican trade, and the new multilateral trade negotiations.

FY 1987 Budget Questions From Mr. Early

Question:

The Commission's January status report to the Committee indicates that the projected workload for FY 86 exceeds your original projections in all but one instance. What accounts for this higher than anticipated workload? Were your workload projections for FY 86 too conservative?

Aside from the strong dollar, what factors are having the greatest effect on the surge in the ITC's workload?

Response:

The increase in the statutory investigations' workload as shown in the January status report is based on the increase in our case load that occured during the first quarter of FY 1986. The increase in Title VII investigations is, in large part, due to the change in the law that requires that under certain circumstances the impact of imports from multiple countries be cumulated for purposes of assessing injury to the domestic industry. This has encouraged petitioners to file cases on imports from all of the countries which they feel are contributing to injury and not just from the principal source of supply. Based on this experience it now appears that our initial projection for FY 86 was too conservative.

The biggest difference in Commission workload in the area of section 332 investigations results from the development of Administration plans for bilateral free trade area talks with Canada. Talks will not begin until Congress has had time to consider the Administration proposal, but the Commission must anticipate and even begin preliminary preparations because it will have insufficient time to complete the work after a formal study request arrives. As the Office of the U.S. Trade Representative's planning has evolved, we have learned that our input for these talks will be considerably more extensive than in the past, adding "probable export effects" coverage to the usual requirements for import effects. The Canada study is the main factor raising our earlier projections. An additional factor is a broad set of studies requested by the Senate Finance Committee for briefing of the Committee on U.S. industrial competitiveness as part of its preparation for a year long deliberation on the implications of multilateral trade negotiations. The studies will cover illustrative pivotal industries in up to seven sectors. This is a much larger request than we normally expect to get from the Hill and relates to the intensified interest in trade matters as a broadening range of trade negotiations approach.

In addition to the Canada FTA study and the Senate Finance industrial competitiveness studies, the current surge in section 332 caseload is due principally to statutory requirements to analyze various trade programs and Congressional requests for special studies. Statutory requirements are behind the Commission's recent and ongoing major efforts on the Generalized System of Preferences, and the Caribbean Basin Initiative programs. Major Congressionally requested studies are also underway on Mexican border trade, vegetables from Canada, trade effects of tax reform legislation, and U.S. jewelry trade.

Question:

The report also cites two new workload categories which have developed -- one being litigation of Commission decisions. To what do you attribute this increasing litigation of Commission decisions?

What types of cases are being litigated? Are there particular types of cases that are more likely to end up in litigation than others? What do you think accounts for this?

Response:

The increasing litigation of Commission determinations can be attributed in part to the increase in the Commission's overall investigative workload over the last several years. This is not a complete explanation for the increased level of litigation, however, because the percentage of investigations resulting in appeals has also increased greatly during approximately the last two to three years. The increasing rate of litigation activity probably has its genesis in (1) the 1979 amendments to the law which greatly expanded the opportunities for and the scope of review in title VII and section 337 cases; (2) changes in the nature of the cases; and (3) changes in the composition of the trade bar. Commission investigations have involved increasingly complex matters having a greater financial impact and more potential for disruption of trade than in the past, making it more likely that parties who are aggrieved by the results of investigations will take advantage of increased appellate opportunities. Moreover, the trade bar that practices before the Commission has changed in the past several years. Previously, the bar was dominated by firms that specialized almost exclusively in the administrative side of trade practice and generally did not pursue litigation. Today, the bar is more diverse and is increasingly dominated by larger firms with greater experience at, and a greater inclination toward, litigation.

The principal types of investigations for which the Commission's governing statutes permit appeals are unfair import trade practice cases under section 337 of the Trade Act of 1930 and antidumping and countervailing duty investigations under title VII of the Tariff Act of 1930. We are unable to discern any meaningful differences in the percentages of appeals taken under these statutes. Similarly, the type of product or industry involved in an investigation does not appear greatly to affect the likelihood of appeal.

Question:

The report also indicates that "significant resources are being transferred from other areas to meet this need." Would you summarize the level of resources allocated to litigation activities two years ago and the level of resources currently being devoted to this activity?

From what areas have resources been transferred? What impact has this had on these activities?

Response:

During FY 1984 the Commission expended approximately 7 work-years on litigation activities. This increased to a total of 10 work-years during FY 1985, almost 30% of the workload of the General Counsel's Office.

Initial FY 1984 staffing allocations provided the Office of the General Counsel with a staffing level of 29 permanent positions. This was increased to 34 in August of 1984 as the Commission's FY 1984 supplemental appropriation request was approved. In addition, the General Counsel's resources have been further augmented by allowing them to utilize the value of up to nine additional work-years at the time vacancies occur in other Commission offices. Utilizing this so called "lapse" allows the General Counsel a significant resource on a temporary basis, and at the same time does not significantly impact on any one activity as the vacancies shift throughout the Commission.

Question:

You are also projecting a much higher workload than originally anticipated for FY 86 for Title VII investigations. What accounts for this increase? Is the situation with respect to antidumping and subsidies getting worse?

Response:

The increase in Title VII investigations is, in large part, due to the change in the law that requires that under certain circumstances the impact of imports from multiple countries be cumulated for purposes of assessing injury to the domestic industry. This has encouraged petitioners to file cases on imports from all of the countries which they feel are contributing to injury and not just from the principal source of supply. Our current projection of 188 Title VII cases in FY 1986, compared to our original estimate of 162 made a year ago, reflects actual experience in FY 1985. Case findings are continuing at approximately the same high level as was experienced in FY 85. The lack of any sharp increase in filings would indicate no significant worsening of the unfair trade situation.

Question:

Are we seeing new industries coming in for relief or an increase in complaints from industries which have filed complaints in the past?

Response:

We see both new industries coming in for relief as well as those industries that have filed complaints in the past filing new cases. There have been a number of new cases filed against countries that are new sources of supply of steel products. This has resulted from the United States' negotiating restraint agreements with most of the countries that are the principal suppliers of steel products and from the issuance of dumping and countervailing duty orders against steel products from other countries. Thus importers are turning to new sources of supply and domestic producers are filing complaints against many of these new sources of supply.

Question:

Can you give us some idea of how many cases are from businesses or industries which were not successful with previous complaints?

Response:

There have been very few instances where firms or industries filed a petition seeking relief on a product for which they had sought relief at an earlier date and were unsuccessful because the Commission made a negative determination with respect to injury. There are instances, however, possibly one or two per year, where firms or industries were denied relief and because of changed circumstances filed a new complaint and got an affirmative determination from the ITC.

Question:

Your current projection for unfair import practices is lower than your original estimate. Why do you anticipate a decrease in this area?

Response:

The section 337 caseload was lower then anticipated in FY 1985. It is felt that the current lower rate of filings may be due to the trade bar's not knowing the basic judicial positions of the changing complement of Commissioners. We feel that our FY 1986 and FY 1987 caseload estimates are conservative, as it is anticipated that the case filings will slowly increase to the earlier high levels.

Question:

For FY 86, the Commission requested a budget of $28.9 million, reflecting no programmatic increases. At that time you told us that this was the bare minimum needed for what you anticipated would be an extremely busy year. Congress finally appropriated $28.6 million, $300,000 less than your request which the Committee approved. Now, the Commission is faced with a further reduction of $1.23 million as a result of the Gramm-Rudman-Hollings reduction. How will the Commission absorb this reduction? What activities and program areas will be affected? What do you anticipate the impact on these program areas to be?

Response:

The Balanced Budget and Emergency Deficit Control Act of 1985, or Gramm-Rudman-Hollings Bill, will result in a $1,230,000 reduction in the Commission's FY 1986 appropriation, reducing the $28,600,000 that was appropriated to $27,370,000. The overall plan to absorb this reduction in FY 1986 is to maintain as much as possible the Commission's current staff level and its commitment to remain up-to-date with office automation, while reducing nonpersonnel support costs. Savings during the first quarter of FY 1986 due to Continuing Resolutions will be applied to the reduction. Since the Commission was held at its FY 1985 level during this period, training, travel and other activities were below minimum levels. In addition, reductions will be made in support services such as postage, communications, rentals, printing. other services and supplies. This plan defers current needs to support our most valuable asset, highly knowledgeable trade experts who are skillful in reviewing, analyzing and reporting on trade-related issues.

Since the Commission is requested to respond to external requests properly filed in accordance with applicable statutes, the Commission cannot directly control the scale of many of its programs. The Commission, therefore, could not plan to eliminate specific programs in response to a specific level of budget cut. If these cutbacks were to continue, the Commission would have to consider staff reductions. Less staff participation in investigations or other mandated work would put the Commission in the position of: (1) not being able to handle the anticipated caseload; (2) not being able to fulfill its full statutory quasi-judicial responsibilities; and, (3) not being able to fulfill its other mandated work, such as providing trade-related assistance to the Congress and the President.

Question:

What impact will these reductions have on the Commission's automation efforts and productivity program?

Response:

The Commission currently has underway several efforts to improve utilization of its resources. These include: (1) the automation of TSUSA preparation which is critical in light of the eventual implementation of the Harmonized System; (2) improved format design and processing of agency questionnaires which is significant both as caseload increases and automation opportunities expand; (3) computerization of our docket files and our data base on investigations. These dual projects are crucial to the efficient operation of the Commission. Their completion will provide an up-to-date reference file that can quickly satisfy our needs for data as well as the needs of those who appear before us; (4) a pilot project to determine the feasibility of using electronic composition equipment to improve the presentation of the Commission's public reports and reduce the number of pages we have to print thereby saving press time and mailing costs; (5) broadening of the records management program throughout the ITC to establish and follow procedures for development, maintenance and disposition of records. This effort is vitally important as documents are both received and produced at a greater rate, and as space utilization becomes more critical to resource management; (6) the conduct of a major review in 1986 of the long term ADP and word processing systems architecture at the ITC. Now is a critical time to plan since equipment will soon need replacing, and our upcoming move should provide new systems design requirements; and (7) development of an automated personnel information system. This is a critical area since GSA removed the Commission from their system. Our internal system will improve productivity in addition to meeting reporting requirements of OPM, EEOC, etc.

With the absorption of a budget reduction, the Commission will have to review the priority of all efforts currently being put forth and planned on productivity and/or automation improvements. The Commission's limited resources would have to first be directed to meet mandated statutory requirements.

Question:

In your opening statement, you indicate that the Commission is requesting a budget that represents "the bare minimum necessary to meet (the ITC's) obligations" in what you anticipate will be another "extremely busy year". In fact, the budget request again reflects no programmatic increases. In light of your most recent quarterly report to the Committee, are you comfortable with this budget request and the projected FY 87 workload, or do you think revisions are necessary?

You've indicated in your opening statement that you, personally, feel that this request may fall below the ITC's needs in terms of manpower. Would you elaborate on this statement.

What additional resources do you feel are necessary and in what areas? How would you classify these in terms of priority?

Response:

In these difficult times, the primary mission of the Commission remains more than ever the careful conduct of import relief investigations and diligent fact finding for the Congress and the Executive. Our caseload remains at record levels as does our trade deficit. New trade legislation which may well increase our workload is being considered. The President and many members of Congress have outlined new initiatives to enhance the effectiveness of our trade laws. A new trade round could be underway in FY 1986/1987; its results may be unknown but the pressures it would generate on us are not. All past multinational trade negotiations have required a substantial commitment of Commission resources. We are receiving clear signals that a tidal wave of trade activity is building. We must not allow ourselves and our nation to be caught unprepared.

To provide necessary resources to meet the Commissions high level of workload and responsibility, I proposed a 20-position increase in our FY 1987 staffing level. My experience in bringing the Commission to a fully staffed condition during FY 1985 indicates that it would take some time to fill all of these additional positions. Therefore, I proposed funding for only 10 of the additional positions.

My recommendation to the Commission for FY 1987 included the following additional positions:

> I recommended approval of one position for the docket section to provide the Secretary adequate resources with which to meet the workload requirement in FY 1987. Case and document filings remain high. Their impact on Office of the Secretary continues to be heavy. Although efforts are underway to upgrade this office's computer capabilities, more staff is needed.

Nine positions were recommended for the Office of the General Counsel due to current workload, particularly litigation of title VII appeals, and its impact on the office's ability to provide quality advice to the Commission. Positions would be filled from a broad range of attorneys, paralegals, clerks, legal and library technicians, and a confidential administrative assistant.

I recommended one position in the Office of the Administrative Law Judge. This was to establish the position of senior technical advisor on a permanent basis, converting it from its current temporary status. The advisor has shown that his input to pending cases and in report writing is valuable and should be retained.

I recommended a position for the Office of Unfair Import Investigations. The added position was to support anticipated increased caseload in section 337 cases; Trade Remedy Assistance Center (TRAC) responsibilities will continue to be addressed on an auxiliary duty basis, until caseload justifies permanent assigned staff. Section 337 caseload is anticipated to return to previous high levels during the next two years, for the following reasons: the trade bar will know the basic judicial positions of the current complement of Commissioners and ALJs; the chilling effect from Presidential disapproval in Duracell will abate with the passage of time; and, granting temporary relief in the Floppy Disk Drives case indicates that there will be expeditious relief.

I recommended two positions for the Office of Economics. This staffing level would enable the office to continue to contribute fully in the investigative areas as it would reduce the need for excessive individual investigative assignments; resources would be available for input into section 332 and section 337 investigations and research studies; and the availability of economic input in other Commission activities would improve the analytical foundation of our products.

I recommended two positions for the Office of Data Systems since the office's workload requirements have expanded beyond its available resources. These positions would meet new and expanding requirements for personal computers as well as insure appropriate support for investigative activities and improvement of computer applications.

I recommended two positions for the Office of Industries. These additional trade specialist positions would be used for added support in the section 332 activities.

I recommended position in the Office of Management Services which has varied responsibilities, ranging from facilities management, to procurement, to Commission-wide support services such as editorial, word-processing and printing. The positions, a support services supervisor and an editor, are both needed for higher quality and increased workload requirements.

Question:

Please provide for the record a table displaying, by program area, the allocation of resources under your FY 86 request (both dollars and work years); the FY 86 enacted appropriation; and the post-sequestration level.

Response

Total requirements, by program
(In thousands of dollars)

Activity	FY 1986 Budget Request		FY 1986 Enacted Budget		FY 1986 Post-Sequestration Budget	
	Work-years	Amount	Work-years	Amount	Work-years	Amount
1. Public investigations and research studies:						
A. Import injury (Trade Act (TA) of 1974)	20	1124	14	750	14	718
B. Interference with agricultural programs (AAA)	4	240	5	320	5	306
C. Antidumping and countervailing duty (title VII of the Tariff Act of 1930 and the Trade Agreements Act of 1979)	70	3,871	80	4,488	80	4,295
D. Unfair import practices (section 337, Tariff Act of 1930, and sections 301(c), 301(e) and 603, TA of 1974)	56	3,610	50	3,099	50	2,966
E. Probable economic effects of concessions or preferential duty-free treatment (TA of 1974)	6	312	11	600	11	574
F. Under section 332 of the Tariff Act of 1930	60	3,362	71	3,960	71	3,790
Total public investigations and research studies	216	12,519	231	13,217	231	12,649
2. Technical information and assistance:						
A. Provided to the Congress	11	649	11	598	11	572
B. Provided to other Federal agencies and the public	21	1,006	24	1,215	24	1,163
C. Relating to trade agreements activities	19	1,033	19	1,082	19	1,035
Total technical information and assistance	51	2,688	54	2,895	54	2,770
3. Recurring reports and services:						
A. Trade monitoring	30	1,654	29	1,514	29	1,449
B. Synthetic organic chemicals reports	9	368	9	433	9	414
C. Summaries of trade and tariff information	18	869	17	828	17	792
D. TSUSA, Harmonized System and other nomenclature and classification activities	28	1,649	24	1,511	24	1,446
E. Other recurring reports and services	10	535	9	481	9	460
Total recurring reports and services	95	5,075	88	4,767	88	4,561
4. Assembling and analyzing economic and technical information:						
A. Information resources management	31	1,811	32	1,546	32	1,480
B. Professional assembly and analysis of information	22	1,311	21	1,120	21	1,072
Total assembling and analyzing economic and technical information	53	3,122	53	2,666	53	2,552
5. Administration	58	2,978	59	2,610	59	2,498
6. Executive direction	37	2,519	36	2,445	36	2,340
Total work-years and obligations	510	28,901	521	28,600	521	27,370

Question:

How well do you think this budget request will enable the ITC to handle its projected workload and, in particular, to meet its statutory obligations?

Will the ITC be able to maintain the quality of its work or do you feel that it will be impaired?

What effect would a reduction in your FY 87 request have on the Commission's ability to carry out its responsibilities and, in particular, to meet its statutory mandates and deadlines?

Response:

Since the Commission is requested to respond to external requests properly filed in accordance with applicable statutes, the Commission cannot directly control the scale of many of its programs. The Commission, therefore, could not plan to eliminate specific programs in response to a specific level of budget cut.

Our budget consists of almost 75% personnel service costs. If we were forced to operate without adequate resources we would have to reduce staff as most of the other required expenses, such as rent, travel, telephones, postage, supplies, printing, etc., could not be further substantially reduced due to the Balanced Budget and Emergency Deficit Control Act cut of $1.2 million which we took in FY 1986.

The Commission's effectiveness comes with its professional staff, and as most of our budget is for salaries to support this staff, a budget reduction would require less staff participation in investigations or in other mandated work. This would cut back the overall quality of our work product and by widening areas of responsibility would tend to reduce the depth and quality of the Commission's expertise.

Therefore without adequate resources the Commission could be put in the position of: (1) not being able to handle the anticipated caseload; not being able to fulfill its full statury quasi-judicial responsibilities; and (3) not being able to fulfill its other mandated work, such as providing trade-related assistace to the Congress and the President.

Question:

Did the Commission managers request any additional manpower resources for FY 87 (as they did for FY 86) and, if so, in what areas were they requested?

Response:

The Commission's managers recommended an increase of 31 positions, for a total authorized staffing level of 513, as follows: two positions for the Secretary: twelve positions for the General Counsel; one position for the Administrative Law Judge; two positions for the Office of Unfair Import Investigations; two positions for the Office of Economics; two positions in the Office of Data Systems; seven positions in the Office of Industries; two positions in the Office of Management Services; and one position for the Equal Employment Opportunity Program.

After review of the Commission's needs, my proposal to the full Commission was for a 20 position increase for FY 1987, with 50% funding being requested due to the time it would take to fill the positions. They included; one position in the Commission's docket section; nine positions in the Office of the General Counsel; one position in the Office of the Administrative Law Judge; one position in the Office of Unfair Import Investigations; two positions in the Office of Economics; two positions for the Office of Data Systems; two positions for the Office of Industries; and two positions for the Office of Management Services.

Question:

Last year, the President indicated that self-initiated reviews would be undertaken in those areas where it appeared warranted. To what extent has this decision affected the Commission?

Response:

The President, through the Department of Commerce, has only self-initiated one Title VII investigation during the past three years. That case was initiated in December 1985 on dynamic random access memory semiconductors (DRAM's) of 256 kilobits and above from Japan. The President, through the U.S. Trade Representative, also requested that the Commission initiate a section 201 investigation on apple juice in December 1985. Such an investigation was instituted by the Commission and is currently underway.

The Senate Finance Committee requested the Commission to institute a section 201 investigation on footwear in December 1984. Such an investigation was instituted and the Commission made an affirmative finding. Although these are all major investigations, they do not constitute a large percentage of the Commission's overall workload.

Question:

You have also noted that the Department of Commerce has proposed an increase (55 positions and $2.4M) for its trade-complaint operations. In general, how does the department's efforts in this area affect the Commission's activities and workload?

If the department's proposed increase in this area were approved, what effect, if any, would there be on the ITC's projected workload?

Response:

The work of the Commission and the International Trade Administration of Commerce is closely linked in the area of dumping and subsidy investigations. Title VII cases are handled in tandem with Commerce responsible for decisions on institution. Once accepted by Commerce, a petition for relief under these statutes results in an investigation by the Commission.

The fact that the Department of Commerce has requested an increase of 55 positions and $2.4M for handling its trade complaint operations does not, of itself, mean that the Commission's workload will increase unless the DOC uses this increased staff to pursue self-initiated investigations. We do think, however, that the fact that the DOC feels that they need this additional staff to handle the workload is an indication that they expect an increase in workload, and if their workload increases there will be a comparable increase in the workload of the ITC.

Question:

You've indicated that the ITC will begin studies on a U.S.-Canada free-trade agreement and U.S.-Canada services trade which will require a higher percentage of time than the GSP study. Since you are not requesting additional resources, how do you plan to accommodate this activity?

Response:

1) ITC is working with USTR to find ways of extending the time to complete different aspects of the study, and to trim and tailor what we supply more closely to the priority needs of the negotiators than has been done in similar previous studies;
2) We are trying to revise study formats to reduce physical preparation time;
3) We expect that to some extent we will find it necessary to postpone, reduce the frequency, and/or improve production efficiency of other Commission activities.

Question:

In antidumping and countervailing duty cases, are the focus of complaints the same countries as in the past or is the number of countries against whom such complaints are filed increasing?

Response:

In Title VII investigations, the focus of complaints has shifted somewhat from the major industrial countries to less developed countries such as India, Thailand, and Mexico as well as the more newly industrialized countries such as Brazil, Korea, and Taiwan. As previously noted, the restraint agreements and the issuance of dumping and countervailing duty orders against steel products from industrialized countries has caused U.S. importers to seek new sources of supply and in many instances this has resulted in their turning to countries such as Thailand, India, Turkey, and the PRC for their requirements.

Question:

The budget justification states that the changing nature of world trade requires the Commission to continue developing new expertise in subjects of emerging importance. How does the Commission go about developing this new expertise?

Response:

The Commission maintains and develops new professional expertise through general fieldwork, basic research, review of U.S. and foreign economic trade and business sources, liaison with private industry officials, participation in industry-Government conferences, expansion of Government and business contacts, and development and review of Government information. Much of this work requires travel by Commission personnel in order to keep current on matters which may have an impact on technical tariff affairs and on conditions of trade. In addition, with normal staff turn-over, the Commission attempts to recruit new personnel that have expertise in areas of emerging importance.

One of the most productive means for such developing expertise comes with opportunities to undertake studies in areas new to the Commission's experience. In some cases, Congressional or Presidential requests will provide the opportunity. The Commission may have such a chance because of both Congressional and Office of the U.S. Special Trade Representative interest in studies of U.S.-Canada bilateral trade in services in preparation for possible talks on this subject.

A most valuable alternative tool for developing this kind of expertise is the Commission's self-initiation of section 332 investigations. In undertaking such studies, the Commission tries to anticipate subjects that are emerging as priority trade-related concerns. For example, the Commission has recently done or is doing self-initiated work in such topical areas as foreign industrial targeting, assessment of the U.S. civil aircraft industry, U.S. chemical trade with developing countries, internationalization of the automobile industry, barter and countertrade, product counterfeiting, and emerging textile exporting nations.

The Commission feels that it must continue its various programs of keeping its professional staff informed in its fields of responsibility, as the expertise developed and maintained in these programs will always be critical to the fulfillment of the Commission's statutory responsibilities.

Question:

How many cases are currently underway in high-technology areas?

Generally, in what categories do the preponderance of complaints fall and what countries are the focus of these complaints?

Last year, we briefly discussed areas of emerging importance such as biotechnology, robotics and telecommunications. To what extent is the Commission receiving complaints in this area? To what extent, if any, do complaints in these areas differ from those seen in other industries?

What makes cases in these areas more complex?

Response:

The Commission has recently completed a competitive assessment study under section 332 investigation authority covering an industry involved in high technology. This is a study of commuter and business aircraft. ITC has just received a request from the Senate Finance Committee for a series of up to seven industry studies to concentrate on the global competitiveness of U.S. industries. Determination of the precise industries is still under consideration, but industries selected are to be "pivotal to U.S. industrial and technological strength, by virtue of being (a) either pathbreaking in the development of leading edge technologies that will shape future competitiveness of U.S. industries, or (b) supplying critical equipment or materiel used in other important industries." The studies are to include the equipment producing industries associated with each industry selected. Selection of industries will take place within the next month.

There is always some question as to what constitutes a high technology case. However, it is likely that everyone would agree that the three pending Title VII investigations on semiconductors from Japan are high technology cases. The Commission is also currently investigating section 337 complaints involving artificial kidneys, mass spectrometers, and laser measuring devices. A complaint was filed recently under section 337 alleging patent infringement by imports of Japanese and Korean semiconductor memory chips. The Commission has not yet decided whether to institute an investigation of the semiconductor memory chip complaint. Within the last two and a half years, the Commission has completed section 337 investigations of a number of high-technology products. The products investigated have included cell culture microcarriers, personal computers, rotary wheel printers, flow injection analysis apparatus, optical waveguide fibers, aramid fiber, portable calculators, and floppy disk drives. Most of our high technology cases have involved products in the electronics/telecommunication area such as high power amplifiers, radio paging devices, cellular telephones, and semiconductors. Japan is the dominant source of imports of high technology products that have been the subject of ITC investigations. In most instances, cases involving high technology products require that the Commission focus on the threat of injury to a domestic industry rather than on current injury. Under section 337, it is possible to find a violation of the statute if the respondents' unfair acts have the effect or tendency to "prevent the establishment" of the domestic industry.

Question:

To what extent have cases involving the so-called "newly industrialized countries" increased? Are the issues in these cases different? What types of cases do you generally tend to see here?

Response:

There has been a significant increase in cases involving newly industrialized countries particularly Brazil, Korea, Taiwan, and Mexico. The issues involved in cases from these countries are not different from those involving the same products from other industrialized countries. A number of the cases involving these countries have covered steel products, castings, pipe fittings, cookware, etc. Most of these cases have been antidumping investigations; however, in the case of Brazil and Mexico there have also been a number of subsidy investigations.

Question:

What trends do you see emerging in the areas of services and intellectual property rights?

Response:

The Trade and Tariff Act of 1984 clearly recognizes the need to further identify and analyze barriers to U.S. trade and investment which tend to restrict international trade in services. Trade practices which restrict market access in services are now subject to possible action under Section 301 of the 1974 Trade Act. The President now has discretionary authority to consider the extent to which a country reduces barriers to investment and trade in services in determining a country's eligibility for GSP benefits. The Act also gives the President authority to negotiate bilateral free trade agreements. The U.S.-Israel Free Trade Agreement contains an article committing each party to free trade in services--the first trade agreement to explicitly cover a full range of trade in services.

In connection with possible negotiations by the U.S. Trade Representative of a similar services arrangement with Canada, both that Office and the Senate Finance Committee have expressed interest in what studies the Commission could undertake to assist preparations. In consideration of both U.S.-Canada bilateral talks and possible MTN negotiations, Commission staff is developing and evaluating preliminary study approaches that could meet anticipated needs. This model covers marketing, competitive, and nontariff measure information that would be necessary in both bilateral and multilateral negotiations on services.

Currently, the Commission is represented on an interagency task force which is directing its efforts at developing an improved data base to facilitate international discussions on services trade. In addition, the Commission serves on various subcommittees of the Commerce Department's Interagency Committee on Service Industries Development. The Commission also keeps informed of important issues in services trade by attending USTR-chaired TPSC meetings that are attended as well by other Government agencies. The Commission's annual report to the Congress on the operation of the trade agreements program includes highlights of important developments in key service sectors. We understand that this kind of reporting is not being done elsewhere and we believe it provides a useful basis for more informed analysis of services trade barriers and evolving issues.

Businessmen are becoming more conscious of the value of their intellectual property including patents, trademarks, copyrights, trade secrets and masks works. For example, businesses are filing patent applications on matters which they would not have attempted to protect in the past. As a result, there are more actions by businessmen attempting to enforce their intellectual property rights. This trend is the basis for projecting an increased number of section 337 investigations.

Question:

What are the most difficult types of cases the Commission has to contend with and why are these considered the most difficult?

Response:

The most difficult cases for the Commission to conduct from the standpoint of the commitment of resources are those where the Commission needs to make multiple determinations involving a number of different products that are being produced by a number of different industries. For example, we currently have a major section 201 investigation on certain metal castings. It is possible that the Commission will need to make as many as 11 separate injury determinations in connection with this investigation. Consequently, the staff must prepare a record that the Commission can use to support its determination in each of these 11 possible findings. Another factor that affects the cost of conducting an investigation is the number of producers in the domestic industry. The data collection and analysis costs for a case involving footwear where there are approximately 150 producers is much greater than that involved in a case where there are only 2 or 3 producers of the article in question.

The difficulty of conducting Title VII investigations involving imports of the same product from multiple countries is significantly increased when Commerce extends the dates for making its determinations concerning subsidies or less than fair value (LTFV) sales by varying periods of time. This has become a serious problem because enactment of the Trade and Tariff Act of 1984 requires if certain conditions are met that the Commission cumulate the impact of imports of the same product from multiple countries. Consequently, petitioners are seeking relief simultaneously from all potential sources of dumped and/or subsidized imports. When Commerce makes its subsidy and/or LTFV sales determinations on these cases on different dates this greatly complicates the scheduling and administration problems the Commission has in conducting these investigations. Rather than conducting all of the cases as a single package on concurrent schedules, it may become necessary to have multiple hearings, multiple data gathering exercises, multiple staff reports, and multiple briefing and vote schedules. This duplication of effort adds to the cost of the investigations and ties up staff for extended periods of time when they may be sorely needed for other assignments. It may also skew the results of the investigations because imports from all countries are "under investigation" when the decision on the first case is made but at the time the last case is decided certain cases will no longer be under investigation and cumulation with respect to those cases may not be appropriate.

Question:

What resources are being allocated to the trade remedy assistance function? What is the anticipated workload level for FY 86 and FY 87?
Thus far, who have been the primary users of this service?
Can you give us any indication of what percentage of inquiries result in the filing of a complaint?

Response:

FY 85 was the first year of operation of the Trade Remedy Assistance Center (TRAC). TRAC required approximately one and a half person year effort during FY 85, and the workload for FY 86 and FY 87 is anticipated to remain at the same or slightly greater level.

Approximately 50% of all inquires to TRAC are initiated by businesses; trade associations, Congressional offices and law firms each account for 12%. The press, other government agencies and individuals without business affiliation account for the remaining.

Approximately 1-2% of the persons initiating contact with TRAC have subsequently filed a petition/complaint for trade remedy at I.T.C.

Question:

How much overtime was used in FY 85, and what is estimated for FY 86 and FY 87?

Response:

The Commission expended $109,678 in overtime payments during FY 1985, and has estimated that $130,000 will be required in both FY 1986 and FY 1987.

Question:

Can you give us some idea of how much overtime is "donated", and has this been increasing or decreasing?

Response:

Currently, certain employees in the Office of Investigations average 10 to 15 hours of uncompensated overtime per week. This overtime commitment has not changed significantly during the last three years. During a recent period, the Office of the General Counsel's professional employees donated an average of approximately 6 hours each per week, for a total for the office of 120 hours per week. These two offices alone would account for over six staff years of donated time each year. Professional employees throughout the Commission donate time; however, since we do not keep such records the estimates are imprecise. To some extent, the experience of these two offices can be analogized to other offices of the Commission.

FY 1987 Budget Questions Submitted By Mr. O'Brien

Question:

2. Why does the Commission believe that the hammering effect of imports from a number of countries is different depending on whether the imports are being dumped or subsidized?

Response:

There are substantially different forces at work behind the two trade practices that can produce different effects in the market. Dumping is caused by the pricing decisions of individual companies and is directly related to their operations in the U.S. market. A company may act unilaterally to eliminate potential or actual antidumping duties by changing its individual pricing practices. Each company has the incentive and ability to adjust its prices in an attempt to avoid an affirmative dumping determination.

Subsidies, do not necessarily have any direct price impact on the U.S market. Levels of subsidization are determined by foreign governments rather than individual companies and--unless we are talking about export subsidies--are related more to a country's domestic fiscal and social policies than to considerations of the U.S. market. The company trading the subsidized goods has no ability or incentive to eliminate the subsidy margin by adjusting its prices in the U.S. market since the countervailing duty is based on practices of its government. Adjustment of its U.S. selling price will have no direct impact on any actual or potential countervailing duty. Thus, without any appreciable ability by individual sellers to ameliorate a subsidy, subsidization may be more persistent and less amenable to compliance with, as opposed to enforcement of, the countervailing duty law.

On the other hand, while subsidy practices may be more inflexible, they are also more indirect. There is a complicated and uncertain path by which a subsidy may actually be passed through to the U.S. market. The mere provision of bounties provided by a foreign government does not guarantee any given price advantage in the U.S. market. By contrast, dumping inherently involves some effect on the prices of the imports in the U.S. market. In countervailing duty cases, it does not necessarily follow that because of the subsidy, there will be an appreciable impact on the prices of the imported products. The benefits of the subsidy may simply be absorbed by the exporting firm and not passed through the U.S. purchaser. This is at least implicity recognized in the statute where the Commission is directed to consider, when making a determination as to a threat of material injury, whether a subsidy is a domestic or export subsidy (19 U.S.C. §§ 1677(7)(E), 1677(7)(F)(i)(I)). An export subsidy is more threatening due to its more direct relation to impact in the U.S. market. Even with export subsidies, however, there is not necessarily any effect on the U.S. prices of the exported product. In sum, the effects of subsidy practices are more indirect, but also potentially more inflexible and persistent than dumping because subsidy practices are less amenable to individual company compliance.

The fact that these practices are different is reflected in their separate treatments in the statutes. Combining the effects of these two very different problems would blunt any detailed examination of their impact. No one has yet suggested looking to unfair trade practices under section 337 and combining them with those under section 701 and section 731. Each of these unfair practices presents ample analytical difficulties when examined alone.

Finally, the lack of conceptual clarity in cumulating the impact of dumped and subsidized imports is most evident if the dumping and subsidies related to the very same imports. Do we double count them? All agree that would be absurd. But then why should a subsidy count when applied to an import from another country but not when applied to a dumped import from the same country?

Question:

3. Is the Commssion making its decisions based on the amount of subsidies or dumping found by the Department of Commerce?

Response:

Some Commissioners have stated that they take the size of the dumping or subsidy margin into account in evaluating material injury by reason of unfair imports. While we who do so in regard to dumping or subsidy margins as one indicator of the casual link between unfair imports and material injury to a United States industry, we do not regard them as dispositive; margins are simply one additional item of information used in making our determination. We are aware of certain inherent limitations upon the Department of Commerce's calculations of margins--for instance, the dumping and subsidy margins are computed for a shorter period of time than the period covered by a Commission's investigation, and that the numbers represent only weighted average margins.

It should be noted that there is currently pending before the U.S. Court of International Trade a case testing whether the Commission is required to take into account dumping margins in its determinations. Luciano Pisoni Frabbrica Accessori Instrumenti Musicali and Enzo Pizzi, Inc. v. United States, 84-10-01435 (C.I.T.) That case has been briefed and oral argument was held on February 4, 1986. A decision is expected within the next few months.

Question:

4. For some domestic industries such as steel, there is a large number of countries that can and do export products to the United States. It seems that as relief is obtained against imports from one group of countries new countries enter the market. Cases brought against a new supplier reveal dumping or subsidization but the Commission does not grant relief because there are too few countries left to accumulate against. Can't the Commission provide relief when this phenomenon occurs?

Response:

The Commission can and does find injury to domestic industries in the situation you have described. The Commission may cumulate imports from the new entrant with imports subject to recently issued orders. I have consistently done this, and many of my colleagues have done so as well. Further, the Commission is always aware that certain industries are vulnerable and therefore may find injury caused by a relatively low volume of imports from the new entrant. For example, in Certain Welded Carbon Steel Pipes and Tubes from Taiwan and Venezuela, Commissioners cumulated imports from Brazil which were subject to a recently entered dumping order with the subject imports. Inv. Nos. 731-TA-211 and 212 (Preliminary) (February 1985). See Views of Chairwoman Paula Stern and Commissioner David B. Rohr at 12.

QUESTIONS AND ANSWERS FOR THE HOUSE APPROPRIATIONS COMMITTEE

QUESTION #1: What would be the impact on the activities of each agency in the Department if each agency received the same amount for FY 1987 that was appropriated for FY 1986 before sequestration with no other adjustment for uncontrollable items?

RESPONSE: If the Commission were to be appropriated the same level of resources for FY 1987 that were initially approved for FY 1986, we would attempt to maintain our current staff level and as much of our productive capacity as possible by reducing nonpersonnel costs as much as possible. As total uncontrollable cost increases exceeded these nonpersonnel costs, the Commission would forced to reduce staff. Less staff participation in investigations or other mandated work could put the Commission in the position of: (1) not being able to handle the anticipated caseload; (2) not being able to fulfill its full statutory quasi-judicial responsibilities; and, (3) not being able to fulfill its other mandated work, such as providing trade-related assistance to the Congress and the President.

QUESTION #2: If the Department received the same amounts in FY 1987 that it received in FY 1986 after sequestration, what would be the impact on the activities of each agency?

RESPONSE: The Balance Budget and Emergency Deficit Control Act of 1985, or Gramm-Rudman-Hollings Bill, resulted in a $1,230,000 reduction in the Commission's FY 1986 appropriation, reducing the $28,600,000 that was appropriated to $27,370,000. The Commission has been able to absorb this reduction because of first quarter savings due to Continuing Resolutions and additional reductions made in support services such as postage, communications, rentals, printing, other services and supplies. This plan defers current needs on a temporary basis to support our most valuable asset, highly knowledgeable trade experts who are skillful in reviewing, analyzing and reporting on trade-related issues. If the Commission was forced to continue at this level for FY 1987 it would have to make staff reductions as it would not otherwise be possible for the Commission to absorb a total reduction of $2,330,000 below the original FY 1987 request, particularly with uncontrollable cost increases for telephones, rent, travel and so on. This could lead to a staff reduction of up to 60 positions. Less staff participation in investigations or other mandated work could put the Commission in the position of: (1) not being able to handle the anticipated caseload; (2) not being able to fulfill its full statutory quasi-judicial responsibilities; and, (3) not being able to fulfill its other mandated work, such as providing trade-related assistance to the Congress and the President.

QUESTION #3: What would be the impact on each of the agencies in the Department if each were to receive a percentage reduction of 8.4 percent below the FY 1986 amount, adjusted for sequestration?

RESPONSE: An appropriation level of 8.4% below the current FY 1986 amount, would be 12.7% below FY 1986 the initial appropriation level, would result in an additional reduction in excess of $2.3 million. Under these circumstances, the Commission could be required to reduce its staffing levels by up to 120 positions.

QUESTION #4: What action is the Department taking to consider these possibilities -- have you formed a task force or done any contingency planning?

RESPONSE: The Commission has discussed alternatives in the event the Commission is forced to operate below its current level. The Commission is very limited in this respect as most of our workload is statutorily required and we therefore do not have control over its volume or timing. The Commission has controlled costs in the past through administrative improvements and by shifting resources among activities so that statutory responsibilities are met. As we move into the FY 1988 budget process this summer, the Commission's senior staff will be considering the implications of all viable levels of funding and their affect on the completion of the Commission's statutory responsibilities.

Question # 5: We are aware that the Public Printer, at the Government Printing Office, has certain initiatives to encourage Federal agencies to take maximum advantage of GPO commercial procurement contracts. Also, the new GPO electronic publishing procurements are now saving very substantial tax dollars. We would like to know what plans you may have to increase your reliance on GPO commercial procurements for both printing and electronic publishing.

RESPONSE: The International Trade Commission has traditionally gone through the Government Printing office (GPO) for the publication of its most complex printing requirements such as the annual report, the Tariff Schedules of the United States Annotated and its supplements, and the annual Synthetic Organic Chemicals: United States Production and Sales; a fourth annual publication, Operation of the Trade Agreements Program, has recently been added to the list. Other Commission publications are produced in its Joint Committee on Printing-approved printing plant. The control, flexibility, and timeliness that the in-house plant allows are necessary owing to the extremely tight statutory deadlines under which the Commission must publish its findings. Therefore, the Commission currently plans to continue its use of GPO at the same level.

Electronic publishing now under consideration by the Commission would be accomplished in-house, for the same reasons given above with regard to printing. The Commission is currently testing electronic composition equipment. We would be limited to simple electronic composition as opposed to data base access or other, more sophisticated, aspects of electronic publishing.

[CLERK'S NOTE.—The following materials were submitted subsequent to the hearing in support of a 1987 budget amendment.]

UNITED STATES INTERNATIONAL TRADE COMMISSION

FISCAL YEAR 1987

BUDGET AMENDMENT FOR RELOCATION EXPENSES

APRIL 1986

Fiscal Year 1987 Amendment
Table of Contents

Page

I. Justification Narrative------------------------ 1

II. Technical Schedules

Appropriation language sheet------------------- 3

Program and financing schedule----------------- 4

Object classification schedule----------------- 5

Narrative Justification

The United States International Trade Commission (USITC) requires a fiscal year 1987 budget amendment of $4,000,000 to provide funds for relocation. The amendment increases the Commission's request for fiscal year 1987 to a total of $33,700,000. The USITC currently is housed in three separate office buildings. Public Law 98-523, (October 19, 1984) transferred the Commission's headquarters building at 701 E Street N.W. to the Smithsonian Institution and required the General Services Administration (GSA) to relocate all Commission functions to a single downtown Washington, D.C. office facility.

A prospectus was approved by the House Public Works Committee in August 1984 authorizing GSA to lease 170,000 to 175,000 square feet of net useable space for the USITC. Following the enactment of P.L. 98-523, Commission staff worked with GSA for several months to prepare a detailed solicitation for offers. In June 1985, GSA advertised for the requisite space with the provision that it be ready for initial occupancy in spring 1987. Six formal bids -- all involving new construction -- were submitted to GSA in August 1985. Since then Commission staff and GSA have reviewed the "best and final" offers from the six bidders and we jointly concluded that the lowest cost bid could satisfy the USITC's special space requirements.

The Commission's fiscal year 1987 budget request did not include any of the funds that would be required to cover the costs of the relocation, since the selection of the building had not been made. A lease is near completion between GSA and the developers for space in a building that will be constructed. Relocation and consolidation of Commission facilities is scheduled to be accomplished in late summer 1987. This request provides $4,000,000 to remain available until expended, for expenses related to the relocation.

The nature and timing of the required relocation costs necessitate amendment of the fiscal year 1987 budget at this time. The General Services Administration is expected to provide for some of the relocation costs and this has been taken into consideration in arriving at this requested amendment. However, due to the Commission's special needs, such as hearing rooms for large audiences, hearing rooms for Administrative Law Judge proceedings, libraries, computer facilities, and printing facilities, it is anticipated that a large portion of the relocation costs will have to be funded by the Commission.

We wish to point out that the dollar figures submitted herewith for our relocation amendment are preliminary, rough estimates of our needs. We submit them at this time because we do not want to miss the FY 1987 appropriation process. We expect to provide more precise estimates in the near future to your Committee.

Projected Costs

Three main cost categories comprise this requested budget amendment of $4,000,000: (1) moving and design expenses; (2) modification to the leased space and equipment to meet ITC office needs and space requirements; and (3) rent.

1. Moving and Design $315,000

This category includes costs relating to the physical relocation. These costs would be incurred regardless of site location for moving and reinstallation of files, copiers, word processors, library books, furniture, and supplies.

2. Building Modifications & Equipment - $3,277,000

This category includes costs to modify the interior of the leased space to meet specific USITC needs. The proposed facility is currently being leased and will soon be under construction. GSA requires that the agency pay for all special construction requirements. These modifications will not be part of the annual rental costs and must be funded by the Commission through its appropriation process.

Modifications will be to both appropriate workspace for the staff and public use space. This includes walls, partitions, floorings, lighting, doors and mechanical and electrical construction. This category also covers such items as soundproofing for courtrooms and conference rooms, special electrical and air conditioning systems for the printing plant, copy machine centers, word processing centers, and ADP facilities, and two libraries, and finally, for furniture and equipment requirements in the libraries, conference and training rooms, the courtrooms and related public use space, and employee work areas.

3. Rent - $408,000

The balance of these relocation expenses is needed to cover rental payments at the new location for the period between September 1, and September 30, 1987. It will be necessary to pay rent on both the new and the old building locations. This dual leasing for 30 days is necessary to accommodate the orderly transfer of staff and functions between the different locations, and to provide for the installation of telecommunications, ADP, and word processing systems.

Summary of FY 1987 Budget Request

Current FY 1987 budget request		$29,700,000
Amendment requested:		
1. Moving and design	$315,000	
2. Building modifications and equipment	3,277,000	
3. Rent	408,000	
Total amendment		4,000,000
Total amended FY 1987 budget request		$33,700,000

STANDARD FORM 300
July 19[illegible], Bureau of the Budget
Circular No. A-11, Revised.

UNITED STATES INTERNATIONAL TRADE COMMISSION

34-0100-0-1-153		87	87	87
Budget Appendix Page	Heading	Request Pending	Proposed Amendment	Revised Request
I-Z55	Salaries and Expenses--- (Revise the section as indicated:) For necessary expenses of the International Trade Commission, including hire of passenger motor vehicles and services as authorized by 5 U.S.C 3109, and not to exceed $2,500 for official reception and representation expenses, [$28,600,000] $33,700,000; of which $4,000,000 shall remain available until expended for expenses related to relocation of the Commission.	$29,700,000	$4,000,000	$33,700,000

STANDARD FORM 300
July [illegible], Bureau of the Budget
Circular No. A-11, Revised.

UNITED STATES INTERNATIONAL TRADE COMMISSION

SALARIES AND EXPENSES

PROGRAM AND FINANCING (IN THOUSANDS OF DOLLARS)

Identification code 34-0100-0-1-153	19 87 actual	19 87 estimate	19 87 estimate
Program by activities	Request Pending	Proposed Amendment	Revised Request
Direct Program:			
Research, investigations, and reports-------------------------	29,700	4,000	33,700
Reimbursable program--------------	-	-	-
10.0001 Total obligations------------	29,700	4,000	33,700
Financing:			
11.0001 Offsetting collections from: Federal funds---------------	-	-	-
25.0001 Unobligated balance lapsing	-	-	-
39.0001 Budget authority------------	29,700	4,000	33,700
Budget authority:			
40.0001 Appropriation---------------	29,700	4,000	33,700
Relation of obligations to outlays:			
71.0001 Obligations incurred, net---	29,700	4,000	33,700
72.4001 Obligated balance, start of year------------------------	4,000	-	4,000
74.4001 Obligated balance, end of year------------------------	-4,000	-	-4,000
77.0001 Adjustments in expired accounts--------------------	-	-	-
90.0001 Outlays---------------------	29,700	4,000	33,700

STANDARD FORM 300

UNITED STATES INTERNATIONAL TRADE COMMISSION

SALARIES AND EXPENSES

OBJECT CLASSIFICATION (IN THOUSANDS OF DOLLARS)

34-0100-0-1-153		19 87 actual	19 87 estimate	19 87 estimate
Direct Obligations:		Request Pending	Proposed Amendment	Revised Request
Personnel Compensation:				
111.101	Full-time permanent positions------------------	17,988	-	17,988
111.301	Positions other than full-time permanent-------------	730	-	730
111.501	Other personnel compensation	438	-	438
111.801	Special personal services payment--------------------	-	-	-
111.901	Total personnel compensation	19,156	-	19,156
112.101	Personnel Benefits: Civilian	2,266	-	2,266
113.001	Benefits for former personnel	24	-	24
121.001	Travel and transportation of persons--------------------	561	-	561
122.001	Transportation of things----	25	-	25
123.101	Standard level user charges-	2,200	408	2,608
123.201	Communications, utilities and other rent--------------	1,571	-	1,571
124.001	Printing and reproduction---	470	-	470
125.001	Other services-------------	2,276	315	2,591
126.001	Supplies and materials------	715	-	715
131.001	Equipment------------------	436	1,665	2,101
132.001	Land and Structures---------	-	1,612	1,612
199.001	Subtotal, direct obligations---------------	29,700	4,000	33,700

TUESDAY FEBRUARY 18, 1986.

EQUAL EMPLOYMENT OPPORTUNITY COMMISSION

WITNESSES

CLARENCE THOMAS, CHAIRMAN

COMMISSIONER FRED W. ALVAREZ

JIM TROY, PROGRAM DIRECTOR

JOHN SEAL, MANAGEMENT DIRECTOR

PHYLLIS BERRY, DIRECTOR, OFFICE OF CONGRESSIONAL AFFAIRS

ANDY FISHEL, DIRECTOR OF FINANCIAL AND RESOURCE MANAGEMENT SERVICES

Mr. DWYER. The next Commission whose budget we will review is that of the Equal Employment Opportunity Commission. Here to testify is the Honorable Clarence Thomas, the Chairman of the EEOC.

For fiscal year 1987 the budget request is for $167,691,000, which represents an increase of $9,786,000 above the adjusted 1986 appropriation after the Gramm-Rudman sequestration of $7,095,000 has been deleted from the 1986 Appropriation Act.

At this point we will insert the justifications in the record.

[The justifications follow:]

1987 BUDGET

EQUAL EMPLOYMENT OPPORTUNITY COMMISSION

Submitted to the Congress of the United States

FEBRUARY 1986

TABLE OF CONTENTS

Appropriation Language.......... i

Organizational Chart.......... ii

Explanation of Changes.......... iii

General Data.......... 1

Program I - Executive Direction & Program Support.......... 3

Program II - Enforcement.......... 12

Work Load

Rapid Charge and Extended Charge Processing.......... 13
Litigation.......... 14
Hearings.......... 15
Appeals.......... 15

Program III - State and Local.......... 36

Work Load

State and Local.......... 37

Summary of Requirements.......... 39

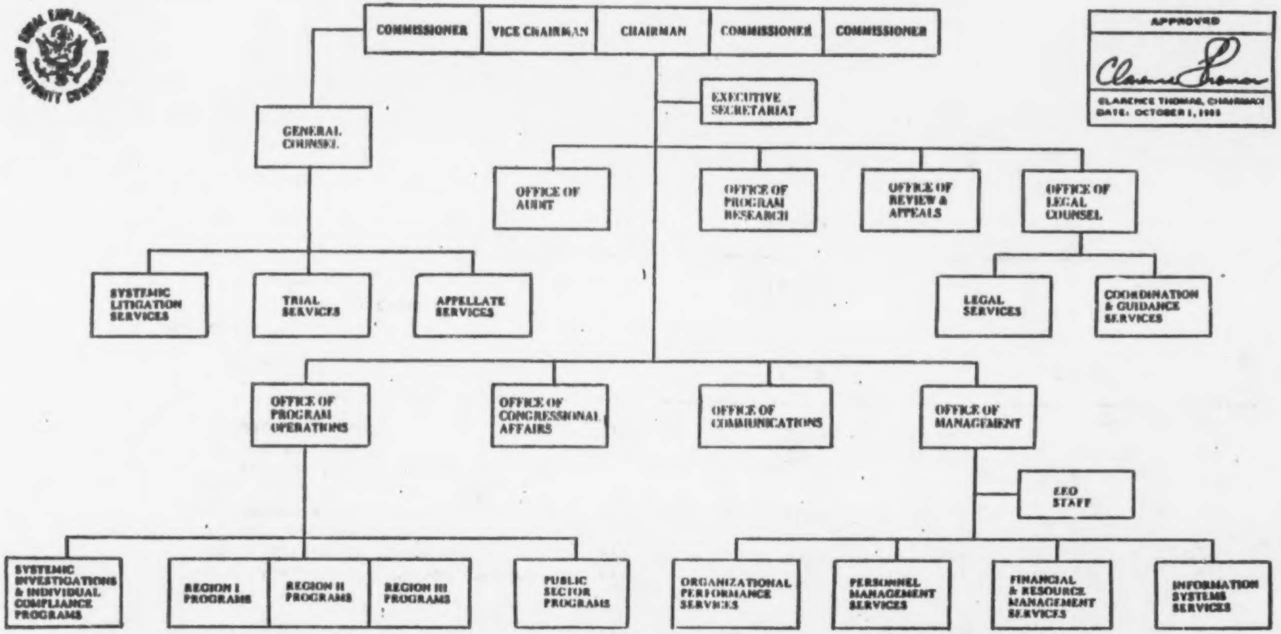
EQUAL EMPLOYMENT OPPORTUNITY COMMISSION

General and Special Funds:

SALARIES AND EXPENSES

For necessary expenses of the Equal Employment Opportunity Commission (EEOC), as authorized by Title VII of the Civil Rights Act of 1964, as amended, 29 U.S.C. 206(d) and 621-634, including services as authorized by 5 U.S.C. 3109, hire of passenger motor vehicles, and not to exceed $20,000,000 for payments to State and local enforcement agencies for services to the Commission pursuant to Title VII of the Civil Rights Act, as amended, and Sections 6 and 14 of the Age Discrimination in Employment Act, $167,691,000 (Departments of State, Justice, and Commerce, the Judiciary, and Related Agencies Appropriation Act).

EQUAL EMPLOYMENT OPPORTUNITY COMMISSION


COMMISSIONER
VICE CHAIRMAN
CHAIRMAN
COMMISSIONER
COMMISSIONER
EXECUTIVE SECRETARIAT
GENERAL COUNSEL
OFFICE OF AUDIT
OFFICE OF PROGRAM RESEARCH
OFFICE OF REVIEW & APPEALS
OFFICE OF LEGAL COUNSEL
SYSTEMIC LITIGATION SERVICES
TRIAL SERVICES
APPELLATE SERVICES
LEGAL SERVICES
COORDINATION & GUIDANCE SERVICES
OFFICE OF PROGRAM OPERATIONS
OFFICE OF CONGRESSIONAL AFFAIRS
OFFICE OF COMMUNICATIONS
OFFICE OF MANAGEMENT
EEO STAFF
SYSTEMIC INVESTIGATIONS & INDIVIDUAL COMPLIANCE PROGRAMS
REGION I PROGRAMS
REGION II PROGRAMS
REGION III PROGRAMS
PUBLIC SECTOR PROGRAMS
ORGANIZATIONAL PERFORMANCE SERVICES
PERSONNEL MANAGEMENT SERVICES
FINANCIAL & RESOURCE MANAGEMENT SERVICES
INFORMATION SYSTEMS SERVICES

APPROVED

Clarence Thomas

CLARENCE THOMAS, CHAIRMAN
DATE: OCTOBER 1, [illegible]

DISTRICT, AREA* AND LOCAL** OFFICES								
REGION I PROGRAMS			REGION II PROGRAMS			REGION III PROGRAMS		
ATLANTA BALTIMORE NORFOLK* RICHMOND* WASHINGTON*	BIRMINGHAM JACKSON* CHARLOTTE GREENSBORO** GREENVILLE** RALEIGH* MIAMI TAMPA*	PHILADELPHIA NEWARK* PITTSBURGH* NEW YORK BOSTON* BUFFALO**	CHICAGO CLEVELAND CINCINNATI* DETROIT	INDIANAPOLIS LOUISVILLE* MEMPHIS LITTLE ROCK* NASHVILLE*	MILWAUKEE MINNEAPOLIS** NEW ORLEANS ST. LOUIS KANSAS CITY*	DALLAS EL PASO** OKLAHOMA CITY* DENVER HOUSTON	LOS ANGELES SAN DIEGO** PHOENIX ALBUQUERQUE* SAN ANTONIO	SAN FRANCISCO FRESNO** OAKLAND** SAN JOSE** SEATTLE

PREPARED BY: PERFORMANCE MANAGEMENT DIVISION
ORGANIZATIONAL PERFORMANCE SERVICES
OFFICE OF MANAGEMENT

SUPERSEDES CHART OF
DATE: APRIL 1, [illegible]

EQUAL EMPLOYMENT OPPORTUNITY COMMISSION
EXPLANATION OF CHANGES
(Funds in thousands of dollars)

	Adjustments		Total	
	FTE	Amount	FTE	Amount
1986 Appropriation	...		3,125	$165,000
Total 1986	...		3,125	$165,000
Increases:				
Annualization of 1986 pay changes	...	$1,082	...	
1986 within-grade increases	...	$520	...	
Increase to DOL Worker's Compensation Fund	...	$103	...	
Other mandatory support costs (commercial telephone, postage, etc.)	...	$761	...	
Litigation Support	...	$780	...	
Subtotal		$3,246		$3,246
Decreases:				
GM/GS 11-15 Reductions	...	($172)	...	
SLUC Decreases	...	($383)	...	
Subtotal	...	($555)	...	($555)
1987 Estimate			3,125	$167,691

Equal Employment Opportunity Commission

Fiscal Year 1987 Estimates

General Data

The EEOC was created by Title VII of the Civil Rights Act of 1964 (78 Stat. 253; 42 U.S.C. 2000e et seq.), as amended, by the Equal Employment Opportunity Act of 1972 (Public Law 92261), and became operational on July 2, 1965. Title VII requires that the Commission be composed of five members, not more than three of whom shall be of the same political party. The members are appointed by the President, by and with the consent of the Senate, for five-year terms. The President designates one member to serve as Chairman and one member to serve as Vice Chairman. The General Counsel also is appointed by the President, by and with the advice and consent of the Senate, for a term of four years.

The Commission is concerned with discrimination by public and private employers of 15 or more employees (excluding elected or appointed officials of State and local governments), public and private employment agencies, labor organizations with 15 or more members or agencies which refer persons for employment or which represent employees of employers covered by the Act, and joint labor management apprenticeship programs of covered employer and labor organizations. The Commission carries out its mission through investigation, conciliation, litigation, coordination, regulation in the Federal sector, and through education, research, and provision of technical assistance.

The Commission, through its field and Headquarters offices, is responsible for receiving and investigating charges of employment discrimination. Individual Commissioners may initiate charges if they receive information suggesting that the law has been violated. If the Commission decides after investigation that reasonable cause exists to believe that a violation of Title VII has occurred, remedy is through the process of conciliation.

As a result of the 1972 amendments to Title VII, the Commission, if unable to achieve a remedy through conciliation, is empowered to file suit in Federal District Court in order to achieve compliance with Title VII. If the case involves a State or local government, the Commission will refer it to the Attorney General, who may file suit in Federal court. Cases pending with the Commission on March 24, 1972, the effective date of the amendments, are subject to these enforcement provisions.

Under Executive Order 12067, the Commission provides leadership and coordination to the efforts of Federal departments and agencies to enforce all Federal statutes, executive orders, regulations, and policies which require equal employment opportunity without regard to race, color, religion, sex, national origin, age, or handicap and eliminate conflict, competition, duplication, and inconsistency among the operations, functions, and jurisdictions of the Federal departments and agencies having responsibility for enforcing such statutes, executive orders, regulations, and policies. All Federal departments and agencies are required to cooperate with and assist the Commission in the performance of these functions under this executive order and are required to furnish the Commission with such reports and information as it may require.

The President's Reorganization Plan No. 1 of 1978 transferred to EEOC from the Civil Service Commission and the Department of Labor authority to enforce Section 717 of Title VII, Section 501 of the Rehabilitation Act of 1973, The Equal Pay Provisions of the Fair Labor Standards Act, and the Age Discrimination in Employment Act of 1967. The Age Discrimination in Employment Act protects workers 40 to 70 years of age from discrimination in hiring, discharge, pay, promotions, fringe benefits, and other aspects of employment by employers having 20 or more employees. The Equal Pay Act prohibits sex discrimination in the payment of wages to men and women performing equal work in the same establishment. The Commission receives and investigates charges of discrimination in these areas and makes findings of violation or not violation. The Commission may also initiate investigations under these acts without a specific charge being filed.

Under Section 501 of the Rehabilitation Act of 1973, which bars discrimination on the basis of handicap by Federal agencies, and under Section 717 of Title VII, the Commission has overall responsibility for the procedures used by Federal departments and agencies in processing internal complaints of discrimination. It conducts administrative hearings on discrimination upon the request of the complainant. In addition, the Commission has appellate jurisdiction to review final decisions of departments or agencies on discrimination complaints. It is also responsible for insuring that Federal departments and agencies maintain affirmative action programs of equal employment opportunity.

EQUAL EMPLOYMENT OPPORTUNITY COMMISSION
BUDGET PROGRAM I - EXECUTIVE DIRECTION AND PROGRAM SUPPORT

Program Description

This budget program provides the framework within which the Commission formulates the policy and program plans required to effectively carry out the mission of the Agency. It provides overall direction, policy, and planning for all Commission enforcement and support activities, as well as leadership and coordination of Federal equal employment efforts. The emphasis in FY 1987 will be on improving the quality and effective delivery of internal management services.

SUMMARY OF PROGRAM REQUEST

1986 Estimate		1987 Estimate		Inc. (+) or DEC. (-)	
FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
265	11,483,000	257	11,626,000	-8	143,000

OFFICE	FTE	DOLLAR AMOUNT ($000)
Chairman & Executive Secretariat	21	915
Commissioners	20	861
Management	182	8,279
Audit	16	694
Congressional Affairs	9	390
Office of Communications	9	487
TOTAL	257	11,626

Commission Functions

EEOC establishes and approves policies, precedents, programs, guidelines, and other directives that will enable the Agency to carry out its mission. The Commission receives and processes charges of employment discrimination, determines whether there is reasonable cause to believe that violations exist, and attempts to secure relief through conciliation and litigation. The Commission approves the filing of suits under Title VII of the Civil Rights Act of 1964, as amended, the Equal Pay Act of 1963 (EPA), and the Age Discrimination in Employment Act of 1967 (ADEA), in the appropriate Federal District Courts, and requests, such relief as the Commission believes necessary to make whole victims of unlawful discrimination in employment. The Commission provides leadership and coordination to Federal departments and agencies with equal employment opportunity programs, consults with and utilizes the special expertise of Federal departments and agencies in carrying out coordination functions, and cooperates with such departments and agencies in the implementation of its equal employment coordination responsibilities under Executive Order 12067. The Commission conducts hearing on proposed regulations which would improve record-keeping requirements on employments agencies or labor organizations. The Commission also makes final judgments on all appeals of denials of Freedom of Information Act requests, makes final judgments on appeals from agency decisions on complaints of employment discrimination, and reviews selected Merit Systems Protection Board decisions in which discrimination is an issue.

Chairman's Functions

The Chairman, on behalf of the Commission, is responsible for the implementation of Commission policy and the administration of the Commission, including the appointment of such officers, agents, attorneys, hearing examiners, and employees of the Commission as he deems necessary to assist the Commission in the achievement of its mission and the performance of its functions. The Chairman recommends policies, procedures, and programs to the Commission and carries out such further functions as are authorized by the Commission or are necessary and proper for the carrying out of the powers of the Commission, including having responsibility for the financial management of the Commission.

Commissioners' Functions

The Commissioners recommend policies and programs to the Commission; develop and guide the policies of the Commission; participate equally on all matters that come before the Commission to the exercise of its power; decide questions by a majority vote (a quorum being present); issue Commission charges of discrimination where appropriate; authorize and approve the filing of suits; and perform such other fuctions as may be authorized by the Commission, requested by the Chairman, or prescribed by law, regulation, or order.

Executive Secretariat

The Executive Secretariat, under the supervision of the Executive Officer, serves as staff to the Chairman and Commissioners and is the focal point for the coordination of policy-related and decision documents flowing to and from the Chairman and/or the Commission.

Under the direction of the Chairman, the Executive Secretariat coordinates all policy development documents for Commission consideration, including arranging such meetings and/or briefings for the Commissioners' staffs as may be necessary for discussion of such documents. The Executive Secretariat serves as the central source of internal information on Commission policy development and on decisions made by the Commission and prepares periodic reports to the Chairman/Commission on the status of the development and implementation of policy-related issuances. The Executive Secretariat stores and retrieves all policy-related and decision documents, circulates guidance and policy-related matters for clearance by Commission offices, receives and forwards comments to originating office(s) for reconciliation, and monitors reconciliation to assure timely and complete processing. The Executive Secretariat receives, gets approval for, and distributes Commission agenda items; makes all arrangements for Commission meetings; administers responsibilities under the Government in the Sunshine Act; prepares, circulates for approval, and maintains record of Commission minutes.

The Executive Secretariat carries out responsibilities under the Freedom of Information Act and controls, analyzes, and tracks documents addressed to the Chairman and other sensitive correspondence. The Executive Secretariat monitors assignments from and responses to the Commission and assists in the coordination of the sharing of information among Commissioners' offices.

Office of Audit

Under the direction of the Chairman, the Office of Audit (OA) performs independent examinations and audits of the programs and operations of all Commission organizational elements and conducts investigations concerning all allegations of fraud, waste, and mismanagement within EEOC.

The purpose of the audits is to provide the Commission an independent analysis of the integrity of EEOC's operations in the areas of financial accountability, resource management, and to assure that EEOC programs and activities are operated efficiently in accordance with legally prescribed guidelines and Federal audit standards.

The purpose of the investigations is to detect and prevent fraud, waste, abuse, and mismanagement and to gather sufficent evidence to recommend proposed disposition of such matters. The OA reports all of its findings and makes recommendations directly to the Chairman.

In carrying out its mission, OA conducts internal audits of the Commission's operations and evaluates the Commission's implementation of OMB Circulars A-123, Internal Controls, A-50, Audit Follow-up, and A-76, Performance of Commercial Activities, as well as the Agency's compliance under the Financial Management Integrity Act.

AUDIT SUMMARY

	1986	1987
Internal Audits Initiated	27	20
Internal Audits Completed	27	20
External Audits Initiated	2	2
External Audits Completed	2	2
Investigations Initiated	30	36
Investigations Completed	30	36

Office of Communications

Under the direction of the Chairman, the Office of Communications serves as the primary communication link for the Commission in actively publicizing the Commission's policy determinations and enforcement programs.

The Office of Communications performs the following functions:

- o Expands awareness and understanding of EEOC's policies, procedures, and enforcement activities among the general public through national and local news media contact and regular communications with respondent and civil rights community constituency groups.
- o Expands awareness and understanding of EEOC's policies and procedures among other Federal agencies through regular communications.
- o Educates the general public about EEOC's mission through public service advertising campaigns; informative publications, brochures, and posters for use by employers; and seminars, symposia, and special events targetted to specific audiences.
- o Coordinates internal agency communications efforts to promote understanding of Commission policy and procedures among all employers at Headquarters and in the field.

Office of Congressional Affairs

Under the direction of the Chairman, the Office of Congressional Affairs (OCA) serves as the Commission's primary point of contact with the Congress. OCA prepares and/or coordinates the preparation of Congress correspondence; analyzes or obtains the analysis of pending or proposed legislation affecting EEOC's functions; prepares and/or coordinates the preparation of Congressional testimony; prepares or transmits reports and other materials required by or provided to Congress; coordinates briefings for Members and their staffs concerning EEOC's policies, programs, or procedures; and maintains a legislative file on all Congressional actions affecting the Commission. OCA also provides timely and accurate information to the Commission about congressional actions that affect the Commission's activities.

HEARINGS (FY 85)

o Oversight:
(EEOC's Enforcement policies) before the House Subcommittee on Employment Opportunities (December 14, 1984)

o Appropriations:
Before the House Subcommittee on Commerce, Justice, State, the Judiciary, and Related Agencies (February 26, 1985)

o EEOC's response to testimony before the Post Office and Civil Service Committee's Subcommittee on Compensation and Employment Benefits on (April 4, 1985)

o Oversight:
Update on EEOC's policies on the handling of sex-based wage discrimination charges and Title VII enforcement before the House Subcommittee on Employment and Housing (June 21, 1985)

o Oversight:
EEOC's Enforcement and Remedies Policies before the House Subcommittee on Employment Opportunities (July 18, 1985)

o Oversight:
Affirmative Action and Federal EEO before the House Subcommittee on Employment Opportunity (July 23, 1985)

o HR 3080 - A bill to revise and reform immigration laws: to discuss the antidiscrimination provisions before the House Subcommittee on Immigration, Refugees, and International Law (September 17, 1985)

BRIEFINGS:

- General Accounting Office staff re: EEOC's handling of sex-based wage discrmination charges (November 15, 1984)
- District Director (Year-End Regional Meetings) re: how to setup and conduct briefings for Members' District Offices staffs
- House staff of oversight committees re: impact of Simpson-Mazzoli (immigration reform) (December 6, 1984)
- House staff of oversight committees re: EEOC's Enforcement Policy and Systemic Programs (February 7, 1985)
- House Post Office and Civil Service Subcommittee staff re: Federal EEO process (March 20, 1985)
- Commission staff re:
  - Overview of the Legislative process and committee
  - procedures (March 29, 1985)
  - Congressional oversight (May 6, 1985)
  - The budget/appropriation process (June 3, 1985)
- Senate staff re: EEOC's Tribal Employment Rights Organization (TERO) Program (April 3, 1985)
- Public Buildings and Grounds Subcommittee staff re: EEOC's Lease Prospectus (May 1, 1985)
- House Employment and Housing Subcommittee staff (Minority) re: EEOC's handling of sex-based wage discrimination charges (May 31, 1985)
- House Education and Labor staff and Employment Opportunities Subcommittee staff (Minority) re: EEOC's Enforcement and Remedies Policies (July 3, 1985)

MASS MAILINGS

- Enforcement and remedies policies (Week of February 5, 1985)
- Notice re: Commission decision re: pension benefits accrual (March 8, 1985)
- Jurisdictional changes (June 5, 1985)
- Houston's posting under remedies policy (June 5, 1985)
- Packets on Commission decision re: comparable worth (June 21, 1985)
- Press release re: 20th year celebration (June 28, 1985)

Congressional Affairs Summary

Activity	FY 86	FY 87
*Responses to correspondence	3,000	3,000
Number of Hearings	7	7

*Does not include telephone inquires which required a written response.

Office of Management

The Office of Management (OM) provides management support services to the Commission's 63 offices nationwide and maintains proper management internal control throughout the Agency. OM conducts management and organizational analyses; guidance for employee performance systems, personnel and labor relations services, budget, finance, debt collection, and contracts and procurement services; administrative support services; and internal equal employment opportunity programs.

The Equal Employment Opportunity Staff (EEOS) is responsible for all internal equal employment opportunity counseling and investigation. The EEOS also develops and monitors the Commission's affirmative action plans and coordinates the special equal employment opportunity program within EEOC.

Personnel Management Services (PMS) plans, develops, and administers personnel policies, programs, procedures, and standards for the Commission. PMS provides classification, staffing, recruitment, employee relations, labor relations, employee benefits, and other personnel services and negotiates and administers labor management agreements for the Commission.

The Financial and Resource Management Services (FRMS) establishes, monitors, and maintains control over the Commission's budget and oversees accounting for such funds. FRMS formulates the Commission's budget; monitors the expenditure of funds; develops and monitors the personnel ceiling; develops and implements financial and accounting procedures; operates the debt collection program; oversees the operation of the travel program; and administers programs for contracts, procurement, and small purchases. FRMS also develops and administers management support programs including maintaining of the Commission Library; overseeing the utilization of property and equipment, printing and publication, forms distribution, telecommunication; and administering the Commission's records management and health and safety programs.

EQUAL EMPLOYMENT OPPORTUNITY COMMISSION
BUDGET PROGRAM II - ENFORCEMENT

Program Description

This budget program is responsible for the enforcement of the four statutes under the Agency's jurisdiction: Title VII, ADEA, EPA, and with regard the Federal sector, Section 501 of the Rehabilitation Act. Enforcement activities and the programmatic oversight and technical guidance for these activities are carried out by the offices listed below. The emphasis in FY 87 will be to enhance the Agency's litigation enforcement program and to ensure efficient and effective EEO enforcement in the Federal sector.

Summary of Program Request

1986 Estimate		1987 Estimate		or Dec. (-)	
FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
2,860	133,517,000	2,868	136,065,000	+8	2,548,000

OFFICE	FTE	DOLLAR AMOUNT ($000)
District and Area Offices	2,376	$112,126
Program Operations	128	5,710
General Counsel	96	4,754
Organizational Performance Services and Information Systems Services	79	4,082
Program Research	47	3,025
Review and Appeals	69	3,077
Legal Counsel	73	3,291
	2,868	$136,065

EEOC 1987 Request

EEOC is estimating that the rapid charge processing units will receive approximately 65,806 complaints in FY 1987. At the level requested, approximately 55,378 of these complaints will be processed. Extended charge units will receive approximately 16,451 complaints, and 14,472 will be processed.

The benefits of litigation case resolutions are expected to be approximately $43,900,000 in monetary relief for victims of discrimination as well as effecting significant operational changes by employers and/or unions who have previously maintained discriminatory policies.

In the public sector, the Commission's hearing examiners will receive 5,976 complaints and close 5,135. The Review and Appeals Office will received 4,000 complaints and close 3,534.

Equal Employment Opportunity Commission
Rapid Charge and Extended Charge Processing

	1985 Actual	1986 Estimate	1987 Estimate
Pending	39,893	43,445	57,103
Receipts	67,119*	76,602	82,257
Closures	63,567	62,944	69,850
Forwarded	43,445	57,103	69,510
Inventory	8.2	10.9	11.9

*The Commission received 72,002 charges of employment discrimination; however, 4,883 were deferred to the State and local agencies.

Equal Employment Opportunity Commission
Private Sector Enforcement: Litigation

	1985 Actual	1986 Estimate	1987 Estimate
Work Load:			
Active Cases Entering Fiscal Year	581	668	819
Cases Filed	286	503	503
Resolutions	199	352	503
Carry-Over Cases	668	819	819
Benefits ($000)	54.2	43.9	43.9

Equal Employment Opportunity Commission
Public Sector Enforcement: Hearings and Appeals

	1985 Actual	1986 Estimate	1987 Estimate
Work Load			
Hearings Examiners -			
Complaints in Process	3,832	3,820	4,218
Complaints Received	5,123	5,533	5,976
Complaints Closed	5,135	5,135	5,135
Complaints Forwarded	3,820	4,218	5,059
Review and Appeals -			
Complaints Pending	4,168	4,378	5,388
Complaints Received	3,836	3,800	4,000
Complaints Closed	3,626	2,790	3,534
Complaints Forwarded	4,378	5,388	5,854

Office of Program Operations

The Office of Program Operations is responsible for administrative oversight of equal employment opportunity enforcement programs and affirmative action efforts undertaken by Federal agencies. The Office of Program Operations, through its divisions, processes charges and complaints of employment discrimination filed under Title VII of the Civil Rights Act of 1964, the Age Discrimination in Employment Act, the Equal Pay Act of 1963, and in the Federal sector, Section 501 of the Rehabilitation Act of 1973. This office receives complaints of employment discrimination filed by individuals at one of its 48 field offices, an then determines jurisdiction, investigates the complaint, issues findings, and, if a cause finding is made, attempts to resolve the complaint through conciliation. The Office of Program Operations, Headquarters staff monitors field office activities; provide policy guidance on charge processing, and provide technical assistance on budget, finance training, and administrative matters. All field offices report to the Commission through the Office of Program Operations.

The Office of Program Operations is also responsible for processing Commissioner-initiated charges alleging that an employer has engaged in pattern or practice of discriminatory employment policies. The Office of Program Operations develops policy guidance for Federal agencies' affirmative action programs of equal employment opportunity, as required under Section 717 of Title VII, and coordinates the hearing program for discrimination complaints filed against Federal agencies. This office also develops, implements, and evaluates contracts with State and local Fair Employment Practices (FEP) Agencies that process charges of employment discrimination pursuant to work-sharing agreements with the Commission.

The components of the Office of Program Operations are the Regional Programs, Systemic Investigation and Individual Compliance Programs, and Public Sector Programs. Their activities are briefly described below.

Field Programs

Field programs is comprised of three Regional Program Offices under three Program Directors whose functions are to ensure the effective and efficient operation of 48 District, Area, and Local field Offices. Each Regional Director has oversight responsibility for a group of District, Area, and Local Offices which have been divided geographically into the three regions known as Region I (East), Region II (Midwest), and Region III (West).

The Regional Program Directors maintain daily communication with and directly supervise field offices on all aspects of field office operations such as processing of individual and class employment discrimination complaints against private sector (State and local government) employers, implementation of the Federal employment discrimination complaints, and administration of personnel and budgetary services. The Regional Program Offices provide assistance to District Directors and evaluate the field offices on the service provided to the public.

District, Area, and Local Offices

EEOC has a three-tiered field structured comprised of 23 District Offices, 16 Area Offices, and 9 Local Offices. These offices are responsible for the receipt and investigation of employment discrimination charges. The District Offices process individual, class, and systemic charges. They have legal and administative units which provide services for the District, Area, and Local Offices within the district's jurisdiction. The District Office also has a State and local program designed to monitor and coordinate the contractual and work-sharing relationship between EEOC and State and local agencies. Approximately one-half of the District Offices have units with responsibility over Federal agency affirmative action efforts. Area Offices do not have systemic, legal, or administrative units; however, they receive administrative assistance and legal advice on charge processing from the appropriate District Office. The Local Offices may receive any charge but does not process charges which are considered complex or appropriate for extended charge processing.

The Commission's 23 District Offices have initiated an Expanded Presence Program which provides increased access for individuals who are geographically distant from EEOC offices or whose primary language is other than English. Each District Office targets specific geographical areas in their jurisdiction and, on a regular basis, sends EEOC employees to the designated locations to counsel individuals regarding their equal employment rights.

The District Offices also continued the Voluntary Assistance Program, which provides educational and technical assistance to small and midsized employers and unions regarding their rights and obligations under Federal equal employment opportunity laws. District Offices held 110 educational symposia throughout the country for 5,936 employer and union participants on the activities and the mission of EEOC to provide technical assistance on how to comply with the various equal employment opportunity laws which the Commission enforces. The District Offices will present these programs as an ongoing activity.

The Charge Process

The Commission's administrative charge processing procedure consists of various components. The first step is intake. The field office attempts to secure as much information as possible for the charging party through an extensive interview. The charge is then framed, and the charging party is informed of what procedures will be utilized to process his/her charge.

Once the Commission has formally accepted the charge and, where appropriate, deferred the charge to a State or local agency, a field office makes a determination on whether the charge will be processed by a rapid charge processing unit or an extended unit. Charges which allege class or systemic discrimination or individual charges which appear to be strong litigation vehicles are processed by the extended units.

Next, regardless of which type unit processed the charge, a request for information is sent to the respondent. If a respondent fails to comply with the request, the Commission may issue a subpoena. After a field office has secured the required information from the respondent, it may conduct an on-site visit or hold a fact-finding conference. A charge can be settled at any time during this administrative process by mutual agreement between the practices.

At the conclusion of the investigation, the field office issues a determination as to whether they believe the respondent has engaged in discriminatory conduct or practices. If the Commission issues a no-cause determination, this ends the Agency's involvement. If, however, the field office issues a cause determination, then the Commission invites the parties to meet to determine if the dispute can be resolved through conciliation.

Private Sector Charge Procesing

	1985 Actual	1936 Estimate	1987 Estimate
Pending	39,893	43,445	57,103
Receipts	67,119*	76,602	82,257
Closures	63,567	62,944	69,850
Forward	43,445	57,103	69,510
Inventory	8.2	10.9	11.9

* Total receipts 72,002; however, 4,883 deferred to State and local agencies.

Rapid Charge Processing

There are significant differences between rapid and extended charge processing. Charges which are processed by the rapid unit are generally individual or small class claims of discrimination and comprise 80 percent of the FY 1985 work load. They are narrowly framed and concern a particular incident rather then a company wide practice. These charges may involve only a single rather than multiple issues and are often resolved during or after a fact-finding conference. Field staff utilize fact-finding conferences to bring the parties together to discuss their respective positions, to clarify the issues, to obtain additional information, and to ascertain whether settlement is appropriate.

The functions of the rapid charge processing unit include the following:

- Conducts expendited investigations of charges filed under Title VII, ADEA, and concurrent EPA and Title VII charges through requests for information and interviews of parties and witnesses and fact-finding conferences in which both parties to a charge participate and, where appropriate, facilitates settlement of charges by parties.

- Ensures that investigations obtain information sufficient for the Commission to render informed cause or no-cause determinations, and attempts to eliminate unlawful employment practices and secure appropriate relief through conciliation.

- Ensures that appropriate relief secured through negotiated settlement and conciliation agreements is fully adhered to through investigation of complaint of noncompliance, review of respondent compliance report, and periodic on-site visits.

Extended Charge Processing

The extended unit processes those charges where there is a strong potential that the Commission will bring a law suit; charges affecting a number of individuals or class claims; charges involving multiple bases (race and sex) or multiple issues (hiring, promotion, and discharge); equal pay claims; or charges initiated by the Commission. The extended charge complaints comprised 20 percent of the work load in 1985. The extended charge processing unit generally will not hold a fact-finding conference but will conduct an on-site visit of the respondent's facilities as part of the investigation.

The functions of the extended charge processing unit include the following:

- Conducts extended investigations of Title VII, ADEA, and EPA cases (of less than systemic proportions) which have been identified as having possible litigation potential, including limited scope Title VII Commissioner Charges, ADEA, and EPA complaints and directed investigations.

- Collects and analyzes, through interrogatories, interviews, and field investigations evidence to recommend to disposition of charges.

- Ensures that appropriate relief secured through negotiated settlement and conciliation agreements is fully provided through investigation of compliants of non-compliance, review of respondent compliance reports, and periodic on-site visits.

- Conducts Federal sector EPA investigations.

Federal Hearings

EEOC is responsible for equal employment opportunity complaint processing within the Federal Government. Federal complaint processing has five stages: agency intake, agency investigation, Commission hearing upon request of either party, agency decision, and appeal to the Commission. Commission hearings examiners (in special hearings units at each District Office and three Area Offices) handle the third stages of the procedures.

Hearings are held on individual and class allegations of discrimination by Federal agencies. Hearings are conducted in accordance with appropriate laws administered by this agency, including Section 501 of the Rehabilitation Act of 1973. Upon completion of the hearing, the examiner issues a recommended decision to the appropriate agency, which in turn can accept, reject, or modify that decision.

State and Local Charge Deferral and Review

Section 706 of Title VII provides for a partnership between EEOC and State and local FEP Agencies. An FEP Agency to which the Commission defers charges must enter into a work-sharing agreement, which provides the conditions under which the joint work load will be divided for processing. The District Office has the primary responsibility for: the deferral relationship, negotiating charge resolution contracts, monitoring work-sharing agreements, the substantial weight review process, and authorizing contract payments under the overall guidance of the Office of Program Operations.

The District Office conducts substantial weight review on deferred charges processed by the FEP Agencies. Resolutions that have been processed according to Federal standards are accepted, and the FEP Agency is granted contract credit. Those resolutions that do not meet Federal standards are rejected and may be returned to the FEP Agency for correction of deficiencies, subsequent acceptance, and contract credit. FEP Agencies that demonstrate a consistency in meeting Federal standards may be certified, thus eliminating, with few exceptions, case-by-case substantial weight review.

Enforcement, Remedies, and Relief

Predictable enforcement and full corrective, remedial, and preventive relief are the principal components of the method by which the Commission is pursuing this agency's mission of eradicating discrimination in the workplace. Accordingly, the Commission has adopted and is implementing a policy that a full remedy must be sought in each case where a District Director concludes that there is reason to believe that one of the statutes the Agency enforces has been violated. In determining what constitutes a "full remedy" in any given case, the Commission will make full use of the wide range of remedial measures available and fashion a remedy to cure the specific situation which gave rise to the violation of the statute involved and to prevent the recurrence of similar unlawful employment practices.

Furthermore, the Commission's policy requires that every "cause" case where informal attempts to conciliate fail is to be submitted to the Commission for litigation consideration.

In keeping with the Commission's emphasis on stronger enforcement, the field offices have begun several efforts to support the Commission's goals:

- Better coordination between compliance and legal units.
- More comprehensive investigations -- Emphasis is placed on investigation rather than settlement.
- Better quality in the litigation vehicles presented to the Commission.
- Full remedy and relief in all cases where "cause" has been found, both in administrative enforcement and litigation.
- Full Commission consideration of all "cause" findings where conciliation fails.

Systemic Investigations and Individual Compliance Programs

Systemic Investigations and Individual Compliance Programs (SIICP) is responsible for initiating and refining procedures for processing charges giving both technical and administrative support to offices.

There are three divisions within SIICP.

The Program Coordination and Development Division has two branches. The Compliance Programs Branch drafts and revises the processing manuals used to process charges in field offices, coordinates the drafts with field and Headquarters offices, and presents recommendations for charge processing to the Commission. Further, the Compliance Programs Branch responds to requests for technical assistance from the field. The State and local branch formulates and evaluates policies and procedures involving State and local FEP Agencies and TERO.

The Systemic Investigations Division, made up of two branches, conducts Headquarters investigations of employment systems with discriminatory features. This includes drafting Commissioners' charges, investigating the charges, drafting decisions, conciliating cases, negotiating settlements, and monitoring settlements.

The Systemic Field Contact and Legal Standards Division provides guidance and support to field systemic activities. The Field Contact Branch develops and recommends policies and procedures relating to field systemic charge processing and provides technical assistance to field systemic units. The Legal Standards and Review Branch provides legal advice, assistance, and support on all aspects of field pattern or practice work and frequently acting as liaison between Office of Program Operations and Office of General Counsel on systemic compliance matters.

Public Sector Programs

Public Sector Programs is responsible for the formulation of policy and guidance for Federal agencies to use in the development and implementation of their equal employment opportunity programs for minorities, women, handicapped individuals, and other employees covered under Title VII, ADEA, EPA Section 501 of the Rehabilitation Act of 1973, and Executive Order 11478, as amended by Executive Order 12106. There are three divisions in Public Sector Programs which divide this overall responsibility.

The Federal Sector Programs Division develops policies, programs, standards, guidelines, and procedures for Federal agency use in implementing their discrimination complaint processing systems and in implementing their affirmative employment efforts to reduce under respresentation of minorities and women in their work forces.

The Handicapped Individuals Progrom Division provides guidance to agencies in affirmative action for handicapped individuals, as well as providing technical assistance to agencies on special appointment authorities, methods of providing accommodation, and other areas of expertise peculiar to the employment of handicapped individuals. The division also analyzes administrative and court decisions related to reflected in policies and programs.

The Hearings Program Division formulates policy, develops regulations, and manages the Commission's Federal sector preappellate complaint processing program. It provides technical assistance and guidance to the Commission and other agency staff, employee organizations, Federal employees, and the general public. The division is also responsible for oversight of other Federal agency complaint processing programs and of the Commission's hearing program.

Office of General Counsel

The General Counsel is responsible for the conduct of public sector enforcement litigation on behalf of the Commission in the United States District Courts and the United States Courts of Appeals. (See §705(b)(1) of Title VII, 42 U.S.C. 2000e-4(b)(1).) Pursuant to §705(b)(2) of Title VII, Supreme Court Litigation is conducted by the Attorney General.

Under Title VII of the Civil Rights Act of 1964, as amended, which prohibits employment discrimination on the basis of race, color, religion, sex, and national origin, the following statutory steps must be met before the General Counsel may even consider recommending a case to the Commission for litigation.

1. Filing a valid and timely charge of discrimination;
2. An investigation initiated by the charge;
3. Finding reasonable cause to believe that a violation of Title VII has occurred;
4. An attempt to resolve and eliminate alleged illegalities by "informal methods of conference, conciliation, and persuasion"; and
5. Failure of conciliation.

Once failure of conciliation has occurred, the Regional Attorney in each of the Commission's 23 District Offices is required by Commission procedure to review potential litigation vehicles and recommend to the General Counsel those cases for litigation. Following the case selection, a recommendation is forwarded to the General Counsel for review and presented to the Commission.

If litigation is not authorized by the Commission, the case is returned to the District Office, and the charging party is authorized to bring a private Title VII action against the respondent.

Enforcement of the Age Discrimination in Employment Act of 1967, *as amended*, 29 U.S.C. 621 *et seq.* and the Equal Pay Act of 1963; 29 U.S.C. 206(d), which prohibits unjustified sex discrimination in wages in jobs which involve substantially equal skill, effort, and responsibility follow procedures which are similar to the enforcement scheme set forth in Title VII.

In addition to maintaining a vigorous trial litigation program, EEOC maintains an appellate litigation program which handles a number of complex, factual cases in which the Commission is involved as a party, as well as cases in which the Commission appears as *amicus curiae*.

Positions advanced by the Commission have been regularly sustained by both the Supreme Court and the Courts of Appeals. In FY 1985, the Supreme Court sustained the Commission's position in the following Title VII and ADEA cases:

- *Trans World Airlines, Inc.* v. *Thurston & EEOC*, No. 83-997 (Jan. 8, 1985) -- The Commission participated as a plaintiff-intervenor in this case in which the Supreme Court held that TWA violated the Age Discrimination in Employment Act by erecting barriers which impeded age 60 pilots from downbidding into flight engineer positions. The case is significant, among other things, for its holding that the mode of analysis for proving discrimination claims through circumstantial evidence does not apply where there is direct evidence of discrimination.

- *Anderson* v. *City of Bessemer City*, No. 83-1623 (March 19, 1985) -- In this Title VII case, the Supreme Court adopted the Commission's position as *amicus curiae* that the Court of Appeals had erred in overturning the trial court's findings of sex discrimination. The court reaffirmed that the strict "clearly erroneous" standard for reviewing findings of fact applies to Title VII cases.

- *Johnson & EEOC* v. *Mayor and City Council of Baltimore*, No. 84-518 (June 17, 1985) -- The Supreme Court reversed a Court of Appeals decision that Baltimore's mandatory retirement of firefighters at age 55 was valid under the ADEA because a Federal civil service provision required some Federal firefighters to retire at that age. In holding that unrelated Federal statutes have no bearing on the ADEA, the court agreed with the Commission, which as intervening plaintiff had succeeded in overturning the mandatory retirement provision in the trial court.

- *Western Air Lines, Inc.* v. *Criswell*, No. 83-1545 (June 17, 1985) -- In affirming a finding that the mandatory retirement of pilots at age 60 violates the ADEA, the court upheld and applied the standards for establishing the Bona Fide Occupational Qualification (BFOQ) exception to the ADEA set forth in the Commission's regulations. This case has far-reaching consequences in that the court agreed with the very strict test for finding a BFOQ which had been advanced by the Commission as *amicus curiae* and which requires employers to justify age restrictions with factual proof.

In addition to the Supreme Court cases which have sustained the Commission's legal positions, the Commission has successfully litigated a number of important cases in the Court of Appeals including the following:

- *EEOC* v. *D. Justin McCarthy*, (1st Cir., July 10, 1985) -- The First Circuit affirmed a $2 million judgment in favor of the Commission in an Equal Pay Act suit involving the teaching faculty at Framingham State College in Massachusetts.

- *Hahn and EEOC* v. *City of Buffalo* , (2d Cir., August 6, 1985) -- The Second Circuit upheld an ADEA judgment in favor of the Commission declaring invalid a New York law prohibiting the hiring of individuals over age 29 as police officers.

- *EEOC* v. *County of Allegheny*, (3rd Cir., March 7, 1985) -- The Third Circuit upheld an ADEA judgment in favor of the Commission awarding backpay and liquidated damages to claimants who were not allowed to sit for the county's police examination because of their age.

- *Harris and EEOC* v. *Amoco Production Co.*, (5th Cir., August 16, 1985) -- The Fifth Circuit held that the Commission as plaintiff/intervenor could continue to prosecute class-wide claims of discrimination after the private plaintiffs settled their individual claims, thereby reversing the District Court's dismissal of this six and one-half year old Title VII litigation.

- *EEOC* v. *Commonwealth of Pennsylvania*, (3rd Cir., July 19, 1985) -- The Third Circuit reversed a District Court decision that a mandatory retirement age of 60 for Pennsylvania State Police is a BFOQ under the ADEA; noting serious questions about the adequacy of factual support for the age-60 restriction, the Court of Appeals directed the District Court to make particularized factual findings on whether a BFOQ was established.

- *Isaac v. Harvard University*, (1st Cir., July 26, 1985) -- The First Circuit adopted the position advanced by the Commission as *amicus curiae* that the 300-day period for filing charges under Title VII applies where a State agency waives its right to process a claim pursuant to a work-sharing agreement with EEOC. This was the first Appellate Court to consider the issue, which is arising with increasing frequency due to the Commission's numerous work-sharing agreements.

- *Brock* v. *Georgia Southwestern College*, (11th Cir., July 15, 1985) -- The Eleventh Circuit upheld in substantial part a ruling in favor of the Commission that Georgia Southwestern College violated the Equal Pay Act by paying female faculty members less than male comparators who perform substantially equal work.

- EEOC, et al. v. Local 28 of the Sheet Metal Workers' International Association, et al., (2d Cir., January 16, 1985) -- The Court of Appeals upheld EEOC's position that the union was properly fined for its contemptuous failure to abide by the consent decree which ended our Title VII race discrimination suit against it and our position that the amended consent decree entered by the District Court should, in large part, be affirmed.

The following is a list of major cases which have been settled during the past fiscal year:

- EEOC v. Equitable Life Assurance Association -- Settlement agreement giving 363 individuals $12.5 million in cash in this ADEA direct suit which involved the mass termination of individuals based upon age.
- Kouba and EEOC v. Allstate Insurance Company -- In the largest backpay settlement ever in an equal pay case, $5 million in payments were provided to female sales agents who were allegedly paid less than their male counterparts for doing the same work. The Commission alleged that Allstate's compensation system violated Title VII in that it discriminated against female sales agents by providing them unequal pay in the form of lower minimum monthly salary guarantees (based on prior salary) than it provided male employees.
- EEOC v. Southern Pacific Transportation Company -- Consent decree providing $2 million in backpay to male employees covered by an insurance plan which provided full coverage for medical disabilities of spouses of female employees while limiting coverage to $250 for the pregnancies of spouses of male employees.
- EEOC v. Southern Pacific Transportation Company -- Consent decree providing $3.4 million in monetary benefits for 1,500 persons and job offers estimated to be worth $30 million over the next two years in a multidistrict class action alleging that defendants, Southern Pacific and 13 union defendants, discriminated against blacks, females, and Hispanics in the areas of discharge, disqualification, promotion, transfer, assignment, and hiring.
- EEOC v. Hammond Housing -- $150,000 plus interest in this ADEA case alleging that the defendant discriminated based on age.
- EEOC v. New England Gas and Electric -- Settlement agreement provided for $800,000 to individuals who were laid off because of their age.

- *EEOC v. Midwestern Distributing Company* -- $395,000 in this Title VII direct suit alleging the company discriminated on the basis of sex by not allowing men and women to drive long-haul jobs without being married to each other. Because nearly all "lead drivers" were men, the policy resulted in denial of jobs to many women.

- *EEOC v. Borough of Coraopolis* -- $115,275 for two individuals who were alleged to be discriminated against on the basis of age. The charging party and one other employee were involuntarily retired because of their age and the eligibility for retirement benefits.

- *EEOC v. Joslyn Manufacturing* -- Consent decree provided $4 million in this direct Title VII suit in which it was alleged that the employer provided full medical benefits coverage for spouses of its female employees but limited benefits for pregnancy-related expenses of spouses of its male employees.

- *EEOC v. Chrysler* -- Consent decree providing $140,000 to 31 female employees who were alleged to be excluded from most positions in the plant because of "small build."

- *EEOC v. Rose Packing* -- This case was resolved by a presuit settlement agreement. The employer provided full medical benefits coverage for spouses of its female employees, but limited benefits for the pregnancy-related expenses of spouses of its male employees. The $420,000 settlement is expected to benefits at least 2,000 individuals.

- *EEOC v. Amtrak* -- This suit alleged that the defendant's spousal benefits provisions violated the sex discrimination prohibitions of Title VII. The case was resolved when settlement, including prejudgment interest, valued at $1.5 to $16 million was reached.

- *EEOC v. Florida Highway Patrol* -- This case involved EEOC's challenge to the Florida Highway Patrol's age 62 mandatory retirement age for its uniformed patrol officers. After a non-jury trial, the presiding judge ruled from the bench in favor of the Commission. He held that the manatory retirement age of 62 violated the ADEA.

- EEOC v. J. Ray McDermott -- The Commission intervened in this class action brought on behalf of all black persons who were employed by the defendant's Marine Pipeline Division since December 7, 1977. This action was resolved by a consent decree in which approximately $300,000 was distributed to the affected class members by means of the claims procedures established in the decree. Private plaintiffs who initiated the law suit received individual backpay awards, and the defendant agreed to institute additional injunctive relief.

- EEOC v. AT&T -- This was a class action brought against AT&T based upon the denial of reinstatement to females returning from maternity leave. Males returning from temporary disabilities were returned to their positions, but females on maternity leave were returned only on the condition that a position was available. Approximately 50 to 75 females are to be compensated for the delay or denial of reinstatement from their leave. Monetary relief amounted to $150,000.

Office of Legal Counsel

The Legal Counsel is the principal advisor to the Commission and staff on legal matters other than enforcement litigation and is responsible for the development of policy guidance through the preparation of regulations and guidelines, Commission decisions, opinion letters, and interpretative sections of the Compliance Manual. In addition, the Legal Counsel carries out the Commission functions as leader and coordinator of the equal employment responsibilities of Federal departments and agencies pursuant to Executive Order 12067. The Office of Legal Counsel is organizationally divided into two services--Legal Services and Coordination and Guidance Services.

Legal Services has the primary responsibility for representing the Commission in all defensive litigation. It is also responsible for the development of Commission regulations and for providing advice to the Commission.

As legal advisors for the Agency: Legal Services prepares the Commissioners' responses to opinion letter requests under the statutes enforced by EEOC, addresses issues that arise in program offices in the handling of their program activities, reviews all contracts prior to their being awarded, and reviews all internal Commission directives for legal sufficiency.

It has responsibility for issues arising under the Freedom of Information Act, the Privacy Act, and the Sunshine Act. Its attorneys serve as ethics and employee responsibility advisors to the Commission and its attorneys process all tort claims against the Agency.

Coordination and Guidance Services consists of two divisions. The Coordination Division provides the mechanism for interagency leadership and coordination of the EEOC enforcement responsibilities of Federal agencies pursuant to Executive Order 12067 by developing uniform standards, regulations, and guidelines; identifying training needs, recordkeeping and reporting requirements, data-collection and data-sharing systems; and complaint systems. The Division initiates actions to coordinate and provide assistance to the Federal government's equal employment opportunity programs reviewing, commenting, and obtaining consensus on proposed standards, regulations, guidelines, and procedures of other Federal agencies in order to obtain a uniform Federal approach.

The Guidance Division provides policy guidance through its work in drafting and updating of the substantive EEO Compliance Manual, Volumes II and III; preparation of policy notices; reviewing substantive documents for policy implications; drafting of Commission precedent decisions for Commission approval; and reviewing all pattern and practice decisions that originate elsewhere for policy implications. Through issurance of Compliance Manual Sections, which are distributed to EEOC's offices, to State and local FEP Agencies, and through on-site training and assessments of Field Offices staff, the Guidance Division has been able to effect a more unified approach to the the resolution of discrimination complaints.

The Office of Legal Counsel responded to over 9,000 inquiries for information, interpretations, guidance, and advice, from field and Headquarters offices, members of the public and private sectors, Congress, and other Federal agencies.

Organizational and Performance Services

The Organizational Performance Services (OPS) plans, develops, and administers policies, programs, procedures, and standards designed to assess the efficiency and effectiveness of the Commission's programs and staff and to provide assistance for improving operations. OPS provides a comprehensive agency training program which emphasizes compliance and legal training for attorneys and investigators.

OPS also administers a nationwide quality assurance program to achieve and maintain high levels of quality and productivity in all major Commission work products. The program emphasizes (1) careful statistical measurement of the work involved in case investigation, litigation, and related agency functions; and (2) active participation of both management and staff in the identification and solution of problems which prevent quality work. The quality assurance program will also collect, assess, and provide performance data for new agency productivity measures in the future that reflect the level and importance quality service rendered to the public.

Information Systems Services

The Information Systems Services (ISS) provides leadership and direction to the Commission on all aspects of computerized data and word processing. ISS oversees and supports a nationwide tracking system of all agency charges and develops and implements all aspects of automation in the Commission. Technical support services and computer testing and development are also administered by ISS.

During fiscal year 1986, ISS will implement a full Charge Data System (CDS), which is a redesign of the Complaint Statistical Reporting System (CSRS), to improve efficiency and meet new program reporting requirements. Also, enhanced communication capabilities will be investigated and acquired where feasible.

Office of Program Research

The Office of Program Research conducts research, performs analyses, and develops options required by the Commission for policy and program implementation. The office is comprised of three divisions whose functional areas of responsibility include the following:

The Surveys Division administers, monitors, and processes the equal opportunity survey reports and interprets and disseminates the survey data which serve as the primary measure of the utilization of minorities and women in private companies, EEO-1; on local referral unions, EEO-3; on State and local governments, EEO-4; on public elementary and secondary school districts, EEO-5; and on institutions of higher education, EEO-6. The division develops and issues recurring employment research series covering major employment sectors. The division also develops and maintains systems for making employment information, research reports, and other economic data available to other Federal, State, and local agencies and to the general public.

The Research and Analytic Services Division provides in-house capability for statistical, economic, testing and other technical analyses required during the investigation and litigation of charges. The division maintains the National Institute of Health computer system which is used by Headquarters and field staff to review and analyze case-related data. The staff also provides training on the use of the Statistical Analysis System for use in analyzing case data and for other research projects and creates computer programs to access EEO-1, Census Equal Employment Opportunity and Census Civilian Labor Force Data.

The Program Studies Division conducts subject-specific studies which are vital to the Commission in providing data for policy development and to stimulate research in the areas of equal employment opportunity. The division also performs research, evaluations, and social science analyses of immediate relevance to the Commission's policy and program needs or relating to emerging national employment issues.

Office of Review and Appeals

The Office of Review and Appeals administers the Commission's appellate responsibilities pursuant to Title VII of the Civil Rights Act of 1964, as amended, the Age Discrimination in Employment Act of 1967, the Vocational Rehabilitation Act of 1973, as amended, and the Civil Service Reform Act of 1978 in Federal employment discrimination cases.

This office has responsibility for deciding and recommending decisions to the Commission on appeals from agency decisions on equal employment opportunity compliants filed as well as monitoring and ensuring compliance by Federal agencies with all Commission orders and appellate decisions. It provides technical information and assistance to agency heads and senior management officials of other Federal agencies on the review and appeal process.

The Office of Review and Appeals also decides or makes recommendations to the Commission on petitions for review of Merit Systems Protection Board decisions involving equal employment opportunity issues in appeals filed by Federal employees as well as requests to reopen and reconsider cases in which the Commission has issued a previous decision.

Additionally, the Office of Review and Appeals provides technical guidance and assistance to the Federal agencies through multi agency field consultations and training seminars.

EQUAL EMPLOYMENT OPPORTUNITY COMMISSION
BUDGET PROGRAM III - STATE AND LOCAL PROGRAM

Program Description

Section 706 of Title VII provides for a partnership between EEOC and State and local FEP Agencies. By regulation, FEP Agencies which meet certain criteria are designated as "706 Agencies." These 706 Agencies receive funding from their State and local governments; however, most (75-80 percent) of the agencies also meet the eligibility criteria to receive additional funding from EEOC.

Summary of Program Request

1986 Estimate		1987 Estimate		or Dec. (-)	
FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
...	20,000,000	...	20,000,000	...	...

EEOC's funding for each FEP agency is based on a careful analysis of the agency's production under the prior-year's contract, evaluation of future performance capability, and a projection of the agency's work load during the funding period.

The per-charge base rate recommended to the Commission annually as part of the Funding Principles is determined by the anticipated amount of the State and local congressional appropriation and the number of charge resolutions the 706 Agencies are expected to produce. The Funding Principles establish:

1) Eligibility criteria for 706 Agencies to receive funding for Title VII and ADEA charges;

2) Management quality goals as performance incentives for increasing the base rate per accepted charge resolutions;

3) Contract categories or types of performance for which EEOC will contract with agencies;

4) Charge processing standards; and

5) The requirement that where EEOC or an FEP Agency has been designated to initially process the charge, the other shall refrain from processing pending completion by the designated processor so that duplication is minimized.

Equal Employment Opportunity Commission
State and Local Charge Processing

	1985 Actual	1986 Estimate	1987 Estimate
Work Load:			
Charges Pending	38,208	44,370	55,551
Charges Received	52,576	55,940	59,520
Charges Closed	46,414	44,759	45,700
Charges Forwarded	44,370	55,551	69,371

Mr. DWYER. Mr. Thomas, do you have a statement you would like to present at this time?

Mr. THOMAS. Yes.

Mr. DWYER. Please proceed.

Mr. THOMAS. I will just give a summary of my prepared remarks.

Mr. Chairman and Members of the subcommittee, I appreciate the opportunity to present the fiscal year 1987 budget request, as I have in previous years. With me is Commissioner Fred W. Alvarez, Jim Troy, Program Director; John Seal, Management Director; Phyllis Berry, Director, Office of Congressional Affairs; and Andy Fishel, Director of Financial and Resource Management Services.

Of the $167.7 million, a $2.7 million increase over the pre-Gramm-Rudman budget of fiscal year 1986, $20 million will be used to continue the funding relationship which exists between EEOC and State and local Fair Employment Practice Agencies. These agencies assist EEOC in resolving employment discrimination complaints.

The remaining $147.7 million will be used largely to pay the salaries and overhead costs for EEOC's staff. Of this amount, 77 percent is used directly to pay for staff salaries and benefits.

The budget level requested for fiscal year 1987 will allow the Commission to support a full-time equivalent staff level of 3,125. Ninety-two percent of the staff will be assigned to work on enforcement program activities, with 77 percent of the staff located outside of Washington, D.C., in EEOC's 48 field offices around the country

IMPROVING THE OPERATION OF THE ENFORCEMENT PROGRAM

Great changes are being made in the Commission's enforcement efforts. The Commission has developed and is currently implementing a four-point program covering education, investigation, enforcement, and relief.

The Commission changed its emphasis from a settlement focus to one which emphasizes fuller, more complete investigation of charges filed with our field offices. The Commission has established certainty and predictability in its processes by approving two policy changes related to charge processing. The *Legal Enforcement Policy* requires tighter cohesion of the agency's compliance and legal resources and Commission review of each reasonable cause determination that fails conciliation. This policy has enhanced the quality of our litigation vehicles. The *Remedies Policy* strengthened the agency's approach to obtaining full remedies for each identified victim of discrimination, while at the same time, providing District Directors flexibility in deciding appropriate relief in the cases that they resolve.

These policy initiatives involving the new enforcement policy and remedies policy are intended to buttress and expand our enforcement efforts. The Commission wants it known that it will carry out swift, certain, and effective prosecution of those who violate the statutes we enforce.

In the area of litigation, as in the compliance area, the results of this shift in emphasis is now starting to be come apparent.

In total, we filed 411 cases in fiscal year 1985. Two hundred and eighty-six of these cases were direct suits, interventions, or preliminary relief actions; 125 were subpoena enforcement actions. This was a 27.9 percent increase over the number of cases filed in fiscal year 1984 and twice the number of cases filed in fiscal year 1983. Our 411 case filings for fiscal year 1985 represent the second largest number of filings in the Commission's history.

The EEOC has been implementing two Commission program initiatives, beginning in fiscal year 1984, to accomplish its education and technical assistance responsibilities. The *Voluntary Assistance Program* educates small employers in the requirements of the statutes enforced by EEOC. Last year, District Offices held 110 symposia, attended by 5936 representatives of small and medium-sized companies, who received training in the rights and responsibilities accorded by Federal law and the procedures of the Agency to carry out its mandate under these laws.

Under the *Expanded Presence Program,* the District Offices provide information to members of the public, in identified geographic areas, of their rights and responsibilities under the statutes EEOC enforces. During fiscal year 1985, District staff made 1033 visits to contact sites, outside of the areas in which our offices are located, during which 7013 inquiries and 3520 charges were taken.

STRENGTHENING MANAGEMENT SUPPORT FUNCTIONS

During the four years I have been chairman of EEOC, I have made, and continue to make, the provision of quality and effective management services the top priority of our Headquarters support offices. I would like to highlight just a few of the accomplishments produced in this area:

Substantial attention continues to be devoted to the professional development of EEOC employees. As a result of this training emphasis on compliance and litigation skills, the competency of the Commission attorneys and investigators has been enhanced. This training is a key component in my program to assure that our personnel have been equipped to carry out the mandate you have given to this agency.

One last point, the commission is quite proud of recently signing a new multi-year collective bargaining agreement with the union representing EEOC employees. This new agreement has as its foundation the mutual recognition by labor and management that close coordination and a cooperative spirit will further the overall objective of an effective EEOC.

In summary, as these examples illustrate, in nearly all areas of the Commission's operation, management and programmatic initiatives have been successfully launched. All of these initiatives are now starting to produce the anticipated results. These program initiatives, supported by our budget request, will allow EEOC to more fully meet its responsibilities in the effort to eliminate discrimination than has ever previously been the case during the Commission's 20-year history.

[The statement of Mr. Thomas follows:]

STATEMENT BY CLARENCE THOMAS, CHAIRMAN
U.S. EQUAL EMPLOYMENT OPPORTUNITY COMMISSION
BEFORE THE HOUSE OF REPRESENTATIVES
SUBCOMMITTEE ON APPROPRIATIONS ON THE DEPARTMENTS OF COMMERCE, JUSTICE, STATE, THE JUDICIARY, AND RELATED AGENCIES

February 18, 1986

Mr. Chairman and Members of the Subcommittee, I appreciate the opportunity to present the Fiscal Year 1987 Budget Request for the Equal Employment Opportunity Commission (EEOC).

The Commission is responsible for enforcing:

1. Title VII of the Civil Rights Act of 1986, as amended, which prohibits employment discrimination based on race, color, religion, sex, or national origin;

2. The Age Discrimination in Employment Act of 1967, as amended;

3. The Equal Pay Act of 1963; and

4. In the Federal sector only, prohibitions against discrimination because of handicap under Section 501 of the Rehabilitation Act of 1973.

The 1987 budget request for EEOC is $167.7 million.

Of the $167.7 million, $20 million will be used to continue the funding relationship which exists between EEOC and State and local Fair Employment Practice Agencies. These agencies assist EEOC in resolving employment discrimination complaints.

The remaining $147.7 million will be used largely to pay the salaries and overhead costs for EEOC's staff. Of this amount, 77 percent is used directly to pay for staff salaries and benefits, while another 15 percent is used for such nondiscretionary items as rent, utilities, telephones, office supplies, and equipment. Only 8 percent of the Commission's internal operating expenses fall within the category which could be classified as "discretionary." These expenses are not discretionary in a real sense, since they are essential to the Commission's enforcement of its congressional mandate to receive, investigate, attempt to resolve and litigate charges and complaints of employment discrimination, as well as to provide technical guidance and assistance to private and public employees.

The budget level requested for FY 1987 will allow the Commission to support a full-time equivalent staff level of 3,125. Ninety-two percent of the staff will be assigned to work on enforcement program activities, with 77 percent of the staff located outside of Washington, D.C. in EEOC's 48 field offices around the country.

IMPROVING THE OPERATION OF THE ENFORCEMENT PROGRAM

Great changes are being made in the Commission's enforcement efforts. The Commission has developed and is currently implementing a four-point program covering education, investigation, enforcement, and relief.

The Commission changed its emphasis from a settlement focus to one which emphasizes fuller, more complete investigation of charges filed with our field offices. The impact of the Commission's shift in charge processing emphasis can be seen in the increased percentage of charges resolved on the merits (59%), in the increased number of litigation vehicles referred to the legal units for suit recommendation, in the number of suits recommended (708), and in the increase in litigation authorized by the Commission (411). The results achieved in each of these areas were higher than in previous years.

The Commission established certainty and predictability in its processes by approving two policy changes related to charge processing. The Legal Enforcement Policy requires tighter cohesion of the Agency's compliance and legal resources and Commission review of each reasonable cause determination that fails conciliation. This policy has enhanced the quality of our litigation vehicles. The Remedies Policy strengthened the Agency's approach to obtaining full remedies for each identified victim of discrimination, while at the same time, providing District Directors flexibility in deciding appropriate relief in the cases that they resolve.

These policy initiatives involving the new enforcement policy and remedies policy are intended to buttress and expand our enforcement efforts. The Commission intends to seek full and effective relief for all victims of discrimination, whether in one-on-one, class, or systemic cases. The Commission wants it known that it will carry out swift, certain, and effective prosecution of those who violate the statutes we enforce.

In the area of litigation, as in the compliance area, the results of this shift in emphasis is now starting to become apparent. By September 30, 1985, the field offices had submitted 708 litigation recommendations to Headquarters. This was 94 more recommendations than had been received in the two previous fiscal years combined. Five hundred and seventeen litigation recommendations were reviewed and submitted to the Commission for litigation consideration.

in total, we filed 411 cases in FY 1985. Two hundred and eight-six of these cases were direct suits, interventions, or preliminary relief actions; 125 were subpoena enforcement actions. This was a 27.9 percent increase over the number of cases filed in FY 1984 and twice the number of cases filed in FY 1983. Our 411 case filings for FY 1985 represent the second largest number of filings in Commission's history.

At the beginning of FY 1985, the Commission had 537 cases in active litigation. The remaining cases referenced in our budget submission are being litigated by Systemic Litigation Services located at Headquarters. During the year, the Commission vigorously prosecuted these cases as well as the 411 newly filed cases. We conducted 54 trials; successfully resolved 90 subpoena enforcement actions and 199 lawsuits by settlements, consent decrees, or judgments. Through these vigorous enforcement efforts, we obtained over $54 million in monetary benefits, the highest total monetary recovery through litigation activities for a single year in the Commission's history.

Several suits involving very substantial monetary relief are particularly noteworthy. The New York District Office resolved an ADEA suit against Equitable Life Assurance for an astounding $12.5 million in monetary benefits for more than 360 persons who we alleged were terminated unlawfully because of their age.

We obtained a favorable judgment in our sex discrimination suit against Teachers Insurance and Annuity Association-College Retirement Equity Fund (TIAA-CREF). TIAA-CREF violated Title VII by using sex-distinct mortality tables to calculate annuity benefits, resulting in female employees being paid lower benefits than similarly situated male employees. The judgment for plaintiffs resulted in an injunction and $9.8 million in monetary benefits. An estimated 800,000 persons will benefit from the injunction, including 32,751 who received back pay. The total value of the judgment is estimated at $2 billion.

Resolution of our multi-district class action against Southern Pacific, coordinated out of the Houston District Office, resulted in a consent decree providing $3.4 million in benefits and job offers estimated to be worth $30 million. We alleged that Southern Pacific and 13 defendant unions discriminated against blacks, Hispanics, and females with respect to discharge, promotions, transfers, assignments, and hiring.

The Commission's case docket runs the gamut in terms of size and bases. Our focus is to remedy any and all discrimination we uncover, no matter how big or small. In EEOC v. Fairfax County, we were able to reach settlement for $26,000 and a job offer for the charging party who was denied an auditor's job because he was 56 years old. In EEOC v. Palace of Illinois, a suit which alleged discriminatory reduction of hours because of pregnancy and retaliatory discharge, a consent decree was obtained providing $2,400 in monetary relief. These are just two of more than 100 similar resolutions.

The EEOC has been implementing two Commission program initiatives, beginning in FY 84, to accomplish its education and technical assistance responsibilities. The Voluntary Assistance Program educates small employers in the requirements of the statutes enforced by EEOC. Last year, District Offices held 110 symposia, attended by 5936 representatives of small and medium-sized companies, who received training in the rights and responsibilities accorded by Federal law and the procedures of the Agency to carry out its mandate under these laws. Under the Expanded Presence Program, the District Offices provide information to members of the public, in identified geographic areas, of their rights and responsibilities under the statutes EEOC enforces. During FY 85 District staff made 1033 visits to contact sites, outside of the areas in which our offices are located, during which 7013 inquiries and 3520 charges were taken.

STRENGTHENING MANAGEMENT SUPPORT FUNCTIONS

During the four years I have been Chairman of EEOC, I have made, and continue to make, the provision of quality and effective management services the top priority of our Headquarters support offices. As a result of this emphasis, we have been able to make certain that the Commission's program staff receive efficient and timely management support for their enforcement activities. I would like to highlight just a few of the accomplishments produced in this area:

Substantial attention continues to be devoted to the professional development of EEOC employees. As a consequence of a massive training effort during FY 1985, over 8,000 training experiences were provided to Commission employees. As a result of this training emphasis on compliance and litigation skills, the competency of the Commission attorneys and investigators in such areas as Discovery, Trial Advocacy, Effective Negotiation and Settlement, Investigative Writing and Math for Statistics has been enhanced. In addition, managers and supervisors benefitted from a wide variety of training experiences addressing management improvement and the administration of our new labor-management contract. Administrative and secretarial personnel sharpened skills in word processing and data base management, using personal computers. This training is a key component in my program to assure that our personnel have been equipped to carry out the mandate you have given to this Agency.

EEOC has taken a lead in the Government with its comprehensive quality assurance program which is designed to achieve and maintain high levels of quality and productivity in Commission work products. The EEOC program is modeled after highly successful private sector programs and emphasizes (I) careful statistical measurement of the work products involved in case investigation, litigation, and related agency functions; and (2) active participation of both management and staff in the identification and solution of problems which prevent quality work. In the two and a half years Quality Assurance has been implemented in field and headquarters offices, I have seen important gains: In addition to improved quality and streamlining of forms and procedures, there has been improved communication at all staff levels, increased coordination between work units, and a real sense of teamwork in making program improvements.

EEOC is currently implementing a newly designed Charge Data System which will provide a nationwide automated tracking system for all discrimination charges received and being processed by the Agency. Once fully implemented this year, the Commission will have: increased accuracy and timeliness of data and reports; local access and control of data; local case tracking ability; and local generation of reports formerly done manually or produced centrally.

One last point, the Commission is quite proud of recently signing a new multi-year collective bargaining agreement with the union representing EEOC employees. This new agreement has as its foundation the mutual recognition by labor and management that close coordination and a cooperative spirit will further the overall objective of an effective EEOC. One of the hallmarks of this agreement is its emphasis on improving the quality of worklife for EEOC employees, thereby establishing an organizational environment where commitment to producing high-caliber work will flourish.

SUMMARY

As these examples illustrate, in nearly all areas of the Commission's operation, management and programmatic initiatives have been successfully launched. All of these initiatives are now starting to produce the anticipated results. These program initiatives, supported by our budget request, will allow EEOC to more fully meet its responsibilities in the effort to eliminate discrimination than has ever previously been the case during the Commission's 20-year history.

The EEOC District Office has the primary responsibility for the deferral relationship, conducting negotiations of charge resolution contracts, work-sharing agreements, the substantial weight review process, and for authorizing contract payments under the overall guidance of the Office of Program Operations.

Under the Title VII statutory scheme, EEOC defers charge to State and local agencies which have applied for and have been designated as "706 Agencies." Additionally, EEOC may defer charges to a State or local agency which has not been designated as a "706 Agency" when the existence of that agency has been brought to the attention of EEOC. In order to be designated a 706 Agency, the state or political subdivision in which the agency is located must have a fair employment practice law which makes employment practices based on race, color, religion, sex, or national origin unlawful and must be a State or local authority empowered to either grant relief, to seek relief, or institute criminal proceedings with respect to the practice.

A 706 Agency to which EEOC defers must enter into a work-sharing agreement as a condition of receiving an EEOC contract for charge resolutions. The work-sharing agreements provide the conditions under which EEOC's and the funded 706 Agencies' joint work load will be divided for initial processing. The work-sharing relationship varies based upon work load, staffing considerations, geographic location of the EEOC District Office in relation to the geographic location of the FEP Agency, and other factors such as consent decrees or conciliation agreements which the 706 Agency or EEOC would need to monitor. These represent some of the considerations which form the basis for the negotiations as to how many and which deferred charges the FEP Agency will process versus how many and which charges EEOC will process.

The EEOC District Office conducts case-by-case substantial weight reviews on deferred charges processed by the FEP Agencies. Resolutions which have been processed according to the Federal standards are accepted and the agency granted contract credit. Those resolutions which do not meet Federal standards are rejected but may be returned to the agency for correction of deficiencies and subsequent acceptance and contract credit. Agencies which have demonstrated a consistency in meeting Federal standards may be certified thus eliminating, with few exceptions, the case-by-case substantial weight review. Under EEOC's regulations, an agency that has a four-year contract history with EEOC and whose charge resolutions submitted for contract credit have met the Commissions's substantial weight review standards in at least 95 percent of the charges processed in the past 12 months is eligible for a certification evaluation.

EQUAL EMPLOYMENT OPPORTUNITY COMMISSION
SUMMARY OF REQUIREMENTS BY OBJECT CLASS
(Funds in thousands of dollars)

APPROPRIATION: SALARIES AND EXPENSES

	Object Class	1986 Estimate		1987 Estimate		Inc (+) or Dec (-)	
		FTE Pos. Authorized	Amount	FTE Pos. Authorized	Amount	FTE Pos. Authorized	Amount
	Personnel Compensation:						
11.1	Full-time permanent..............	3,056	$ 96,618	3,056	$ 97,990	...	$1,373
11.3	Other than full-time permanent...	69	1,457	69	1,457	...	0
11.5	Other personnel compensation.....		758		758		0
	Total personnel compensation...	3,125	98,833	3,125	100,205	...	1,373
12.0	Personnel benefits...............		12,548		12,881		333
21.0	Travel and transportation of persons....................		3,400		3,562		162
22.0	Transportation of things.........		312		325		13
23.1	Standard level user charges......		11,865		11,482		(383)
23.2	Communications, utilities and other rent.................		6,398		6,507		109
24.0	Printing and reproduction........		294		303		10
25.0	Other Services...................		9,823		10,803		980
26.0	Supplies and materials...........		1,176		1,234		57
31.0	Equipment........................		320		358		38
41.0	Grants...........................		20,000		20,000		0
42.0	Insurance Claims.................		30		30		0
43.0	Interest and Dividends...........		1		1		0
	Total requirements...............	3,125	$165,000	3,125	$167,691		$2,691

Mr. **Dwyer**. Thank you, Mr. Thomas.

Would you describe for the Committee how you plan to take your $7,095,000 reduction proposed by the Gramm-Rudman sequestration?

Mr. **Thomas**. We have essentially attempted to look in nonprogrammatic areas such as travel, training, expanded presence program, and maintaining a hiring freeze on professonal staff to sequester those amounts, and in addition, to take $800,000 from our state and local budget.

Mr. **Dwyer**. Would you be required to furlough or RIF any employees to meet the targets?

Mr. **Thomas**. Based on our projection, we do not anticipate a furlough or RIF. Of course, a RIF would not yield us the cost savings in the current fiscal year, so that would basically be out of the question. A furlough is something that I think is in the back of everybody's mind, and certainly would be a very last step. A furlough is currently not in our projections. We think we can comfortably—well, not comfortably, make the reductions without a furlough or any other drastic personnel actions.

Mr. **Dwyer**. People usually look forward to a furlough.

Mr. **Thomas**. Let me put it this way. We can uncomfortably reach the numbers without a furlough or RIF.

Mr. **Dwyer**. Mr. Smith.

Mr. **Smith**. A lot of people seem to think they are getting mixed signals these days. They hear the administration is not for quotas, and yet there are lawsuits going on where contractors didn't meet the quota. Is there a policy that has finally been established?

Mr. **Thomas**. I think EEOC's policy has been pretty clear. It is straightforward, to enforce Title VII of the Civil Rights Act of 1964, which is not involved with quotas. Title VII simply prohibits discrimination in employment based on race, sex or national origin. I think there is some confusion on the issue, because most of the education on these issues takes place in the public media and the media are confused.

There are two separate issues. There is, of course, Executive Order 11246, administered by the Department of Labor, which is an affirmative action program, and has, I think, resulted in the use of quotas in some instances. That is separate and apart from EEOC. EEOC says there are laws that prohibit discrimination, period.

There has been some discussion and argument with respect to some of our remedies, whether or not we should ask for goals and timetables. Some people would argue in the past that we have asked for quotas, but I don't think there should be any confusion as to what we are doing. We are enforcing equal employment opportunity laws, not enforcing quotas.

Mr. **Smith**. Can you see how people might be confused when different agencies seem to have different initiatives, objectives or policies?

Mr. **Thomas**. I think we have to remember that the Department of Labor and EEOC were set up with two separate missions. I understand, Mr. Chairman, how the confusion can take place, and I can understand how it is exacerbated. I have read things in the newspaper that are totally incredible to me, and the farther away you get from Washington the more incredible it gets.

I make a speech or a statement that states clearly, as I have said from the very beginning, that EEOC enforces equal employment opportunity laws.

Mr. SMITH. Do you see any conflict between your policies or your mission and those of the Labor Department?

Mr. THOMAS. I think there are two separate missions. The statutory mandate that EEOC has is proscriptive. It says don't permit discrimination. The Department of Labor's mandate is to somehow come up with a program that forces or requires or helps or enhances the possibilities of minorities and women being in a particular work force. That is different from the proscriptive mandate that we have.

Now, there can be a conflict. There can be a conflict if you have a policy that says we are going to base our decisions or our program on race or sex or national origin. It seems to run head-on into a statute that says don't consider race or sex or national origin.

Mr. SMITH. Is there really a conflict between different agencies?

Mr. THOMAS. I think there can be a conflict between the way the executive order is implemented, because executive orders don't include, don't say to use quotas. It doesn't say to specifically designate what race or what sex, but I think there can be a conflict. The possibility for conflict is there when you have affirmative action programs on one hand, and a proscriptive kind of statute on the other that precludes discrimination. I don't think there has to be a conflict, but there can be.

Mr. SMITH. Didn't you get more money than you requested last year?

Mr. THOMAS. That is right.

Mr. SMITH. How much more?

Mr. THOMAS. About $7 million.

Mr. SMITH. This would permit you to take a 4.3 percent cut and still have 2.6 percent over your request; is that right?

Mr. FISHEL. The original request for the agency in FY 86 was $158 million. After the reductions for Gramm-Rudman, we will be at $157.9 million.

Mr. SMITH. How much was the original request?

Mr. FISHEL. $158.8 million.

Mr. SMITH. After that, it would be $157 million?

Mr. FISHEL. $157.9 million.

Mr. SMITH. Would it still be 1.8 below your request?

Mr. FISHEL. It will be about $900,000.

Mr. SMITH. What are they called, the State Advisory Commission?

Mr. FISHEL. State and local Fair Employment Practices Agencies.

Mr. SMITH. How is their relationship and their funding changed from 1985 to 1986 and proposed for 1987?

Mr. THOMAS. From 1985 to 1986 it really didn't change that much. There is still $400 per charge. The base is $400 per charge and I believe $40 for our intake, and $800 for charges that are resolved—are you talking about the relationship or the overall budget?

Mr. SMITH. No, their funding.

Mr. Thomas. I am sorry. For fiscal year 1985, it was 19.5. This last fiscal year, $20 million, and fiscal year 1987, $20 million. That is pre-Gramm-Rudman in fiscal year 1986.

Mr. Smith. That is all I have.

Mr. Dwyer. Going over your statement, as Mr. Smith was pursuing that line of questioning about quotas, and I see here there were 199 lawsuits that were settled by consent decrees, and so on. Were there any quotas in those consent decrees?

Mr. Thomas. To my knowledge there weren't any.

Mr. Dwyer. In another part of your statement, the case involving Southern Pacific, there were job offers that were estimated to be worth $30 million.

Mr. Thomas. Yes.

Mr. Dwyer. Would you explain?

Mr. Thomas. When we have a class of individuals who have been discriminated against—and I don't remember all the details—it has been our policy, and it will continue to be our policy, that whether it is five or five thousand, those individuals deserve to be reinstated immediately, and deserve backpay for the period that they were harmed by the discriminatory conduct.

Mr. Dwyer. This says job offers in your statement.

Mr. Thomas. That would include job offers, reinstatements.

Mr. Dwyer. Reinstatement?

Mr. Thomas. Yes, that is for individuals who have been discriminated against in that class.

Mr. Dwyer. Do you people just get extra money? Is that what you are saying, Mr. Thomas?

Mr. Troy. The allegation in Southern Pacific was that people were not hired because of their described characteristics. After the investigation, there was a degree of evidence which supported that conclusion. When you get to remedy, you have to identify as many of those people as possible, and the company made job offers to the people that were identified. When you total up the job offers, the salary related to the job offer is for one year, it came to the figure that we gave you.

Mr. Dwyer. So basically what established the quota, so to speak, were those people who had applied for jobs at the beginning and were refused jobs?

Mr. Troy. Yes, but this would not be a quota.

Mr. Dwyer. Yes, I understand. It seems that is a bad word.

Mr. Troy. It just produces excitement, I guess.

Mr. Dwyer. Do you plan to submit a reprogramming in order to more efficiently carry out your statutory responsibilities in light of this reduction?

Mr. Thomas. We do not plan to submit reprogramming.

Mr. Dwyer. How about the sequestration of funds; how is that going to affect the state and local enforcement agencies?

Mr. Thomas. As I indicated, it is going to reduce the overall budget by $800,000 in that account. It is also going to reduce, I believe, our funding directed to them, I think by something like 1.8 percent, and the average number of cases that will be reduced—and it depends on the agency, the number that they have in their inventory—will range from any place from one charge to 74 charges.

Mr. **Dwyer**. In your 1987 budget request you are proposing an increase of $1,082,000 for an annualization of 1986 pay changes. Would you provide for the record what these pay changes are?

Mr. **Thomas**. I am going to let Andy Fishel handle that.

Mr. **Fishel**. This is calculated in the cost in fiscal year 1987 of increases due to promotions and within-grade increases received during fiscal year 1986, but only part of the costs would have been absorbed in 1986 and this will be the full cost that will have to be absorbed in fiscal year 1987.

Mr. **Dwyer**. Is that promotions?

Mr. **Fishel**. No, we have a standard for the government. The major elements of our work force are in either attorney positions or equal opportunity specialist positions. These are what we call career ladder positions, where there is expectation that if the person is performing satisfactorily, they will get promoted.

Mr. **Dwyer**. You are proposing an increase of $520,000 for within-grade increases. A perusal of the budget indicates that most departments and agencies are absorbing that particular factor. Do you feel that you can absorb that increase at your requested level of funding?

Mr. **Thomas**. I don't think we can. I don't think we have any place to absorb it. We are labor intensive, and there is just really no place to go.

Mr. **Dwyer**. No more room in transportation?

Mr. **Thomas**. We can cut out transportation, but you get to a point where you can't investigate cases, so it begins to affect the way in which you can carry out your job. What we have attempted to do even with the Gramm-Rudman reduction is to take the cut from nonprogrammatic transportation. Even that begins to affect your ability to cross-train the people, etc. So it does have a detrimental effect overall on the program at some point.

Mr. **Dwyer**. You are requesting an increase of $103,000 for the Workers Compensation Fund. What is involved here?

Mr. **Thomas**. I think that is an increase that comes from the Department of Labor.

Mr. **Fishel**. Each federal agency estimated how much it will have to pay out for workers that are injured on the job, and that was the estimate that the Department of Labor provided us for fiscal year 1987.

Mr. **Dwyer**. Would you discuss the experience you had with the Expanded Presence Program during fiscal year 1986. Do you plan to continue this in 1987?

Mr. **Thomas**. As I indicated, we have had excellent experience with the Expanded Presence Program. That is a program that I thought was necessary when I first came on board, in order to reach people who don't know about the agency and don't know what their rights are. It has been a cost-effective program. It is very inexpensive, although we did have to reduce it by 50 percent this fiscal year, and we think it has been a very effective program. It is one that we would like to continue. It helps those who are perhaps the most in need of our services.

Mr. **Dwyer**. Will you discuss briefly your recent activities nationwide in the Voluntary Assistance Program and cite some examples where you feel this has been an effective and productive program?

Mr. **Thomas**. Primarily that is pretty much in the same basket as the Expanded Presence Program. It was again my initial feeling that the larger companies in this country had become very sophisticated in the EEO area, but smaller companies and small labor unions had not become similarly sophisticated, and really did not know what their rights were or what their responsibilities were. So we took it upon ourselves to take a program to them.

As I have noted in my prepared testimony, the program has attracted a tremendous amount of interest. It is one that is very well attended throughout the country. It is one that again is very inexpensive, but is one that has to be reduced in fiscal year 1986 because of the reductions we have to take over the next seven months.

Mr. **Dwyer**. Are you conducting any new systemic investigations in 1986, and do you plan to conduct any in 1987?

Mr. **Thomas**. We intend to continue——

Mr. **Dwyer**. I am sorry——

Mr. **Thomas**. We continue to do a great deal in the area of systemic discrimination. The problem is very simple and I have noted it in previous hearings, that we had to go back and clean up what we inherited. We will finish that this fiscal year. We are also focusing our attention more on cases that we can begin and end in a shorter period. There will be more focused cases.

I think there will be more aggressive cases, and we will have more flexibility in the various field offices as opposed to relying almost exclusively on headquarters guidance. So the answer to that is that we have filed systemic cases in this fiscal year, within the past year, and we intend to file more. There are more being considered by the Commissioners, as the Commissioners' charges. This year should be the final year of cleaning up what we did find in the hopper. In the coming years you will see a much, much more aggressive systemic program.

Mr. **Dwyer**. Thank you, Mr. Thomas. Thank you for being here, this afternoon.

Mr. **Thomas**. Thank you, Congressman.

Mr. **Dwyer**. We will recess until tomorrow morning at 10 a.m.

[Questions for the record and the answers thereto follows:]

QUESTIONS FOR THE RECORD FOR MR. SMITH

1. I understand that on June 4, 1985 the EEOC approved a plan calling for the "jurisdictional realignment" of some of its field offices. Have you received any complaints and/or comments from any of the offices involved? How much do you estimate will be saved in administrative costs and staff resources due to this realignment? Will there be any RIF's involved? Has this realignment gone into effect?

A. The realignment of jurisdictional boundaries which was approved by the Commission on June 4, 1985, transferred the Little Rock Area Office from the New Orleans District Office to the Memphis District Office, the Louisville Area Office from the Memphis District Office to the Indianapolis District Office and upgraded the San Antonio Area Office to a District Office. There were also some counties within district jurisdictions which were switched from area to district or vice versa. While the primary purpose of the realignments was to enhance the delivery of services to the public by moving the area offices closer to their district offices and by providing a more even distribution of workload between the three districts affected, there was a concomitant cost saving realized by virtue of the savings in travel money between the area offices and the districts to which they report. The annualized net saving was estimated to be $14,152. There was no displacement of personnel as a result of this realignment, either by a reduction in force or through reassignment from one office to another. The realignment of jurisdictional boundaries became effective on October 1, 1985.

2. Describe your enforcement efforts in fiscal year 1987. Do you plan to continue with the rapid charge and extended charge processing program?

A. FY 85 was the first full year in which the Commission's new enforcement and remedies policies were in effect and thus the first opportunity for us to assess their effectiveness. Based on the positive results we have obtained we have no plans to make any further changes to our field structure as it pertains to the processing of charges in Rapid and Extended Units. We have completed our reorganization of the field office and have no plans for further reorganization. We find reorganizing costly in both money and staff resources.

3. As you know, Executive Order 11246 requires federal contractors to use affirmative action goals and timetables to increase the participation of women and minorities in these employment areas. Does the Commission handle cases that come under the jurisdiction of this order?

A. Yes. The Commission does handle charges which are filed against contractors who come under this Order. EEOC has a Memorandum of Understanding with the Office of Federal Contract Compliance Programs (OFCCP) under which individual charges of employment discrimination filed with OFCCP are transferred to EEOC for processing. The number of such charges is a very small percentage of our workload.

It appears that the enforcement mechanism for civil rights statutes is very decentralized at the federal level. Please describe in detail how the Commission coordinates this effort and suggest recommendations for improved efficiency in this area.

1. More than 30 Federal agencies operating under various statutory authorities currently have equal employment opportunity jurisdiction over private sector and non-federal public sector employers. Section 715 of the Equal Employment Opportunity Act of 1972 requires coordination of all federal equal opportunity programs to "maximize effort, promote efficiency and eliminate conflict, duplication and inconsistency" in these programs. Under this mandate, augmented by the specific authority of Executive Order 12067, 1/ the Commission conducts a program to assure a legally sound and efficient federal equal employment effort.

The Commission's major activity in fulfilling these responsibilities is the coordination and review of federal agencies' proposed equal employment regulations and other issuances. The Commission's procedural regulations implementing Executive Order 12067 set forth the consultation and review process federal agencies must follow during the development of any proposed issuance concerning equal employment. 2/ Under the terms of these regulations, an agency must notify the EEOC whenever it intends to develop a significant issuance or an issuance affecting other agencies and should submit an early draft to EEOC for review. EEOC then determines which agencies may be affected by the proposed issuance and instructs the initiating agency to consult with those agencies. If the agency decides to publish the issuance for public comment, it must submit the issuance to EEOC at least 15 working days prior to public announcement in order to allow for EEOC comment. Once the issuance is published, the initiating agency must allow a period of at least 60 days for public comment. After the close of the comment period, the initiating agency provides EEOC an

---

1/ 43 F.R. 28967 (July 5, 1978); 3 C.F.R., 1978 Comp., p. 206.

2/ 29 C.F.R. 1690.101 - 1690.401. These regulations were also issued to agencies as EEO-Management Directive 1000.

4. Chairman Thomas, in your testimony you indicated that $20 million is being earmarked to continue the relationship between the EEOC and State and local Fair Employment Practice Agencies. How does this figure compare with the amount of funding allocated for this activity during FY 86?

A. This is the same figure that the Commission received for the State and local program in FY 86. However, the Gramm-Rudman budget cuts at 4.3% reduced the available funding by $860,000 to $19,160,000. This reduced figure is actually $360,000 less than the FY 85 figure for the State and local program.

amended copy of the issuance and a list of commentors. After the final review by EEOC, the initiating agency must submit the proposed final issuance to all affected agencies for at least 15 working days prior to publication.

During this process, Commission staff review the proposed issuance to ensure that it is derived from appropriate legal authority, is consistent with Title VII and other relevant federal law and policy, does not impose duplicative or excessive burdens on employers and provides clear and effective guidance. The Commission consults with the initiating agency both informally and formally to resolve any differences and discrepancies. EEOC is responsible for forwarding the proposed final issuance to the Office of Management and Budget (OMB) for review under Executive Order 12291 and the Paperwork Reduction Act. OMB will not review documents subject to Executive Order 12067 jurisdiction until they are cleared by the Commission.

In order to ensure that all relevant issuances are coordinated at an early stage, the Commission established in 1980 a reporting requirement under which federal agencies submit information and projected timeframes for all equal employment issuances under development. Based on this information, the Commission publishes a semi-annual Bulletin of EEO Issuances Under Development listing by agency the title and type of each issuance, its policy objective, legal basis, current status and a contact person for further information. To ease reporting burdens, dates for submitting information for the Bulletin coincide with preparation of information for the Semiannual Regulatory Agenda.

The Commission also initiates activities and projects designed to improve the process of interagency coordination. One of its most important recent achievements was the development of a regulation under which federal agencies refer to EEOC individual employment discrimination complaints filed against recipients of federal financial assistance. [3] The rule eliminates a serious overlap in individual complaint processing by EEOC and other federal agencies and establishes uniform standards and procedures for handling complaints of all agencies. Under the procedures, federal agencies refer to EEOC individual complaints of employment discrimination filed under Title VI of the Civil Rights Act of 1964, Title IX of the Education Amendments of 1972, the State and Local Fiscal Assistance Act of 1972 (General Revenue Sharing) and grant statutes with similar prohibitions against discrimination, if these complaints are also covered by Title VII of the Civil Rights Act or the Equal Pay Act. Such "joint complaints" are deemed charges filed with EEOC. The Commission, acting under its own authorities and the delegated authority of the funding agency, investigates and seeks to resolve them. The investigation by EEOC of complaints of employment discrimination against an individual reduces burdens on employers who are covered by more than one equal employment legal requirement while allowing funding agencies to use their resources to investigate complaints alleging discrimination by recipients in services or alleging a pattern and practice of employment discrimination.

---

[3] 29 C.F.R. Part 1691; 28 C.F.R. Part 42.

A review of operations under this regulation since its implementation in March 1983, indicated a need for more training of both EEOC and agency compliance staffs on the specific procedures established for referrals. The Commission is currently in the process of developing, after consultation with a number of other agencies, two related training packages: one for EEOC field staff, the other for compliance staff of agencies that provide federal financial assistance.

Although the centralization of individual complaint processing in the EEOC has eliminated some of the overlap in federal compliance efforts, there still remains substantial potential for duplicate requests for information because of similar investigations by multiple agencies. To address this problem, the Commission developed during FY 1985 a Resource Directory of Equal Employment Compliance Information. The purpose of the Resource Directory is to assist federal compliance personnel in locating and obtaining information relevant to their EEO programs which is already on file with other agencies. The information in the Directory was collected through a self-reporting survey of federal agencies. Forty-one agencies and operational components of agencies responded, providing information on the types of information they maintain, such as compliance documents, complaint tracking systems, workforce surveys and labor market data. The Directory identifies whether the documents are located in agency headquarters or field offices, how long the records are kept and how they are made available to federal personnel. Each listing also provides the name, address and telephone number of appropriate persons to contact for such information in headquarters and field offices. The Directory is currently in the process of being printed. Copies will be distributed to EEOC field offices, state Fair Employment Practice agencies and all federal agencies that conduct external EEO programs.

As a follow-up to this project, the Commission is currently conducting a study to determine the feasibility of merging the computerized complaint and compliance review tracking systems of the major federal agencies having external equal employment opportunity authority. The combined systems would form a data base which would provide up-to-date information on the compliance status of employers under the jurisdiction of the targeted agencies. The purpose of the centralized EEO information system is to avoid duplication of effort by providing all federal agencies with external equal employment programs a rapid and reliable reference on investigations or reviews underway or completed within the last two years by the targeted agencies.

The Commission also has developed agreements with other federal agencies to share statistical data gathered from its EEO Surveys, thus eliminating duplicative reporting by employers. Four of the five EEO surveys have been sponsored by or shared with other agencies for several years. During FY 1985, the Commission implemented a new agreement with the Small Business Administration, and negotiated another data sharing agreement with the National Center for Education Statistics of the Department of Education.

2. As detailed above, the Commission leads a coordinated program to develop uniform standards and procedures in federal equal employment programs. The result is that the federal government's enforcement of statutes relating to equal employment opportunity is much more efficient than it was when the responsibility for coordinating federal equal

employment statutes, orders and regulations rested with the Equal Employment Opportunity Coordinating Council, which lacked the authority of a lead agency.

As required by Executive Order 12067, federal agencies have generally cooperated with and assisted the Commission in the performance of its responsibilities under the Order. When disputes have arisen, the Commission has been successful in resolving them without resorting to the dispute resolution mechanism contained in the Order. Thus, although a number of federal agencies enforce statutes which relate to equal employment opportunity, the Commission's function under the Executive Order ensures the efficiency and effectiveness of the federal government's enforcement efforts.

CONGRESSMAN EARLY
QUESTIONS FOR THE RECORD
FEBRUARY 18, 1986

Mr. Early

Question 2: I understand that the EEOC's case against Sears Roebuck & Co. was drawn out and expensive -- but was finally resolved. Overall, can you estimate what the cost was? Wouldn't you agree, however, that solving complaints and cases against huge compaines like Sears and/or entire industries that employ thousands, is still more cost effective in the longrun than involving yourself with more tightly focused cases, which may still be time consuming, but involve only specific persons?

Answer: The estimated costs in the Sears case was $3,321,415. I do not agree "that solving complaints and cases against huge companies like Sears and/or entire industries that employ thousands, is still more cost effective in the longrun than involving [ourselves] with more tightly focused cases, which may still be time consuming, but involving only specific persons." In measuring cost effectiveness we must be mindful of the EEOC's obligation to process all charges of employment discrimination. We don't have the discretion to pick and chose under Section 703. With respect to "pattern and practice" charges under Section 707, we do have some discretion. With the Sears type "pattern and practice" cases we can potentially eliminate the entire "systems" of employment discrimination in one lawsuit. In that regard, it probably is more cost effective in a literal "dollars and cents" sense than litigating cases that involve only one individual victim. Yet, our statutory obligation mitigates against "picking and choosing" when it comes to enforcing one's right to be free of employment discrimination.

Question 3: According to the February 11, 1986 Washington Post (Pg. A-1), the EEOC did not vote on or make a public announcement before abandoning the use of hiring goals and timetables (quotas) in setlements with private employers accused of race and sex discrimination. Would you care to comment? When do you expect to put this new policy before the full Commission?

Answer: With respect to so-called abandonment of the use of quotas, there has not been any major policy change. The General Counsel has merely concluded that he does not have the votes on the Commission to get approval for quota remedies. There are no current plans to put this policy question before the Commission. Furthermore, there are three cases currently pending before the U.S. Supreme Court which should clarify the issue of what is permissible affirmative action.

Question 4: Has the Senate recently appointed anyone as General Counsel of the EEOC? If so, who?

Answer: The Senate has not approved anyone as General Counsel of EEOC.

Mr. Early
Questions for the Record
February 18, 1986

6) Last year you stated that an on-going training program had been developed and would soon be implemented in the effort to improve case processing skills of EEO Staff investigations to ensure that "inside" cases and complaints are processed effectively, fairly and in a timely manner. Is this program currently underway?

Extensive training was given to all EEO staff - professional and clerical in case processing and tracking as follows:

(a) The EEO Complaints Process; Avenues to Improvement; by Staff Development and Training Division (SDTD)
(b) Advanced Skills; Defenses; by SDTD
(c) Investigative Writing; by SDTD
(d) Theories of Discrimination; by SDTD
(e) Sampling and Analytical Techniques for Quality Assurance in EEOC; by B.L. Mandel
(f) Orientation for Quality Assurance; by Bess Howard
(g) Identification of Sample EEO Products and Quality Characteristics; by Bess Howard
(h) Introduction to Management; by SDTD
(i) Sign Language (one staff member)
(j) Classification and Position Management; by Personnel Management Services (PMS)
(k) Clerk Typist; SDTD
(l) Supervisory Training; PMS
(m) Computer Skills; OJT
(n) Employee Relations Counseling

The training program is continuing. Other courses are already scheduled.

a) How many internal complaints involving discrimination were filed at EEOC in 1985? How many of the 115 internal complaints filed in 1984 were acted upon or resolved?

*There were 105 internal discrimination complaints filed in FY 1985; 136 complaints were resolved.

*In FY 1984, 94 complaints were resolved out of 115 filed.

CONGRESSMAN RALPH REGULA
QUESTIONS FOR THE RECORD
HEARING ON THE EQUAL EMPLOYMENT OPPORTUNITY COMMISSION
FEBRUARY 18, 1986

Mr. Regula

Question 1:	It is my understanding that the Commission does not view the use of quotas and timetables as a legitimate measure of an employer's progress regarding the inclusion of women and minorities in the workforce. In the absence of such measures, what standard(s) does your agency use to assess the probability of discrimination?
Answer:	The Commission has not taken a position on "the use of quotas and timetables as a legitimate measure of an employer's progress regarding the inclusion of women and minorities in the workforce." It should be added though that in assessing the existence or non-existence of discrimination, we utilize the standards in cases such as Green v. McDonald Douglas; Griggs v. Duke Power Co.; U.S. V. Teamsters; and U.S. v. Hazelwood School District.

Mr. Regula, With respect to the Commission's decision respecting quotas, see answer to question no. 3, above, from Mr. Early.

1. Question: What would be the impact on the activities of each agency in the Department if each agency received the same amount for FY 1987 that was appropriated for FY 1986 before sequestration with no other adjustment for uncontrollable items?

   Answer: The Equal Employment Opportunity Commission (EEOC) FY 1987 budget request is $2,691,000 more than appropriated for FY 1986 before sequestration. The impact of funding at the FY 86 level would be that the Commission could not meet the payroll requirements for 70 full-time equivalent (FTE) staff years, or a combination of cuts in major programs, and/or State and local grants would be required. This would result in added cases to pending inventory.

2. Question: If the Department received the same amounts in FY 1987 that it received in FY 1986 after sequestration, what would be the impact on the activities of each agency?

EEOC is currently anticipating a two or three day furlough in FY 1986. This was a last resort decision after effecting other cuts wherever possible. Should FY 1987 funding be equal to that of FY 1986 after sequestration, program reductions and reductions in State and local grants, as well as a furlough of five to seven days and a continued hiring freeze would be required.

3. Question: What would be the impact on each of the agencies in the Department if each were to receive a percentage reduction of 8.4 percent below the FY 1986 amount, adjusted for sequestration?

Answer: A further reduction of 8.4 percent below the FY 1986 sequestered amount would likely result in a combination of furloughs, a reduction-in-force, and reductions in major programs.

4. Question: What action is the Department taking to consider these possibilites -- have you formed a task force or done any contingency planning?

Answer: The Commission is monitoring the FY 1986 budget closely, and is cognizant of the three FY 1987 senarios above. As EEOC is a salary intensive agency and further program reductions would be difficult, contingency planning will be based on congressional action on the FY 1987 appropriation.

5. Question: We are aware that the Public Printer, at the Government Printing Office (GPO), has certain initiatives to encourage Federal agencies to take maximum advantage of GPO commercial procurement contracts. Also, the new GPO electronic publishing procurements are now saving very substantial tax dollars. We would like to know what plans you may have to increase your reliance on GPO commercial procurements for both printing and electronic publishing.

Answer: We will continue to increase our reliance on GPO commercial procurements for printing and electronic publishing at a minimal level. It is the requirement of the Joint Committee on Printing that EEOC use the GPO printing facility for printing requests over 25,000 impressions.

WEDNESDAY, FEBRUARY 19, 1986.

FEDERAL TRADE COMMISSION

WITNESSES

TERRY CALVANI, ACTING CHAIRMAN
JAMES A. WILLIAMS, EXECUTIVE DIRECTOR
FRED ZIRKLE, BUDGET OFFICER

Mr. SMITH. Today we have the Federal Trade Commission, and the Acting Chairman of the Commission is here for the first time to testify, Terry Calvani. Welcome, Mr. Calvani. And at this point, we insert the biographical sketch in the record.

[Material referred to follows:]

TERRY CALVANI

Terry Calvani was apointed a Commissioner of the United States Federal Trade Commission by President Ronald Reagan and was sworn in on November 18, 1983. Following his graduation from the Cornell Law School where he was Articles Editor of the Law Review, he practiced with the San Francisco firm of Pillsbury Madison & Sutro. From 1974 through 1983 Mr. Calvani taught courses on antitrust law and trade regulation at the Vanderbilt School of Law. He is the author of numerous articles on antitrust issues and is editor of *Economic Analysis and Antitrust Law* published by Little Brown & Company in 1979. He has served as chairman of the ABA Antitrust Section's Robinson-Patman Committee and its Special Committee on Antitrust Penalties and Damages. He is a member of the American Law Institute, the Administrative Conference of the United States and serves on the advisory board of the Antitrust Bulletin. From 1979 through 1983 he was of Counsel to the Birmingham, Alabama firm of North Haskell Slaughter Young & Lewis where his practice focused on antitrust and trade regulation.

President Ronald Reagan appointed Mr. Calvani as Acting Chairman on October 7, 1985.

Mr. SMITH. Your request for 1987 is for $69,045,000. That represents an increase of $6,362,000 above the adjusted 1986 appropriation after it was reduced $2.817 million for Gramm-Rudman sequestration.

[The justifications follow:]

FEDERAL TRADE COMMISSION

FISCAL YEAR 1987
PROGRAM BUDGET

Submitted to Congress

FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

OFFICE OF THE CHAIRMAN

February 5, 1986

Honorable Neal Smith
Chairman
Subcommittee on Commerce, Justice, State,
  the Judiciary and Related Agencies
House of Representatives
Washington, D.C. 20515

Honorable Paul Laxalt
Chairman
Subcommittee on Commerce, Justice, State,
  and Judiciary
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

This transmits the fiscal 1987 budget estimates and justifications for the Federal Trade Commission.

The agency's 1987 budget request amounts to $69,045,000 and 1,154 workyears. It provides for a net decrease of 14 workyears and a $3.5 million increase over our fiscal 1986 appropriation. As the justification materials describe, the budget, with careful management, will permit the Commission to pursue actively its Competition, Consumer Protection and Economic mandates.

The agency's fiscal 1986 sequestration reduction pursuant to Gramm-Rudman-Hollings (P.L. 99-177) is $2,817,000. In accordance with Subcommittee instructions, a schedule of reductions is contained in these materials in accordance with the relevant provisions of H.J. Res. 465. The Commission's proposed reprogrammings for fiscal 1986 will be submitted under the Committee's normal reprogramming procedures.

By direction of the Commission.

Terry Calvani
Acting Chairman

Federal Trade Commission
Fiscal 1987 Budget Request

TABLE OF CONTENTS

Page

Overview Statement.. i

Maintaining Competition:
- 1. Mission Overview Statement.......................... 1
- 2. Resource Summary.................................... 5
- 3. Program Summaries:
  - Petroleum.. 6
  - Energy and Natural Resources....................... 8
  - Food Industries.................................... 9
  - International Antitrust............................ 11
  - Transportation..................................... 13
  - Health Care.. 14
  - Market Power Matters............................... 15
  - Mergers and Joint Ventures......................... 16
  - Horizontal Restraints.............................. 17
  - Distributional Restraints.......................... 18
  - Compliance... 19
  - Program Evaluation................................. 21
  - Other Direct Mission............................... 23

Consumer Protection:
- 1. Mission Overview Statement.......................... 24
- 2. Resource Summary.................................... 27
- 3. Program Summaries:
  - Enforcement.. 28
  - Marketing Practices................................ 30
  - Advertising Practices.............................. 32
  - Credit Practices................................... 33
  - Service Industries Practices....................... 35
  - Program Management................................. 37

Economic Activities:
- 1. Mission Overview Statement.......................... 39
- 2. Resource Summary.................................... 42
- 3. Program Summaries:
  - Economic and Consumer Policy Analysis.............. 43
  - Antitrust Policy Analysis.......................... 44
  - Other Direct Mission............................... 45

Page

Support Activities:
Resource Summary.................................... 46
Commissioners....................................... 47
Executive Director.................................. 48
Office of Public Affairs............................ 49
Office of Congressional Relations................... 50
Office of General Counsel........................... 51
Office of Presiding Officers........................ 52
Office of Administrative Law Judges................. 53
Office of the Secretary............................. 54
Management Services................................. 56
Planning and Information Services................... 57

Appendix A - Budget Schedules:
Summary of Requirements............................. A-1
Object Class Analysis............................... A-2
Presidential Budget Schedules....................... A-3

Appendix B - Statutes and Court Decisions:
Organization Chart.................................. B-1
Statutory Authority and Duties...................... B-2
Court Decisions, Calendar Year 1985.................B-11

Appendix C - Fiscal 1985 Program Accomplishments:
Maintaining Competition Mission..................... C-1
Consumer Protection Mission......................... C-7
Economic Activities Mission.........................C-19

OVERVIEW STATEMENT

The role of the Federal Trade Commission, as defined by Congress, is to enforce a variety of Federal antitrust and consumer protection laws. Under these laws, the Commission seeks to ensure that the nation's markets are competitive, function vigorously and efficiently, and are free of undue governmental as well as private restrictions. The Commission also seeks to improve the operation of the marketplace by eliminating deceptive practices, with emphasis on those practices that may unreasonably restrict or inhibit the free exercise of informed choice by consumers. The Commission's economic analysis functions support this law enforcement effort and contribute generally to the economic policy deliberations of the Congress, the Executive Branch, and the public.

I. Gramm-Rudman-Hollings (P.L. 99-177)

Attachment A at the end of this overview statement was prepared in accordance with the guidance provided in the joint explanatory statement of the Committee of Conference on H.J. Res. 465. The figures contained in Attachment A reflect an across-the-board 4.3 percent reduction from each of the FTC's 1986 programs and activities. This adjusted 1986 base of $62,683,000 and 1,118 workyears would not eliminate any program, project or activity, reorder priorities or initiate any new effort that was not funded in the FTC's 1986 appropriation.

This adjusted base represents the starting point for the Commission's soon to be submitted reprogramming request. It will become, beginning March 1, the agency's 1986 operating base and remain as such until such time as the appropriation committees can act upon the aforementioned reprogramming recommendation. The dollar and workyear changes referred to in this 1987 budget submission still assumes the agency's 1986 appropriated figures (P.L. 99-180) of $65.5 million and 1,168 workyears.

II. Fiscal 1987 Request

The Commission's fiscal 1987 budget request totals $69,045,000 and 1,154 workyears. Headquarters' offices are budgeted for 985 workyears with the remaining 169 workyears allocated to ten regional offices. The workyear request represents a real decrease of 1.2 percent over the agency's 1986 appropriated figures. The dollar increase of $3,545,000 reflects a program decrease of $655,000 related to the workyear decrease; a GSA space rent increase of $2,739,000; and, the balance devoted to funding inflationary price increases. This dollar increase will permit the Commission to maintain current operating levels.

The numbers contained in this year's request reflect the Commission's continuing concern to hold the fiscal 1987 budget to the minimum necessary to carry out effectively the agency's statutory responsibilities. The agency's fiscal 1987 request is considered sufficient to meet all mission objectives. Program success will continue to be measured by the degree to which we get those businesses subject to our laws, rules and regulations to abide by them and not solely by how often we pursue litigation. This budget contains adequate resources to pursue aggressively those who refuse to comply with the law.

In the past five years, the Commission has aggressively attempted to reshape policy to meet better the needs of consumers, while at the same time increasing staff effectiveness. This process will continue into fiscal 1987 with the agency being able to meet all its mandates while utilizing 14 fewer workyears.

A case-by-case enforcement approach coupled with advisory efforts will continue to be the primary method of law enforcement for the Commission. Resources will be allocated in fiscal 1987 to inform Congress about the possible harmful consequences of measures which might shield firms and industries from competition. Prudent case selection criteria will continue to be emphasized to ensure that agency resources are only allocated to activities that promise the best return for the public.

The Commission will use a portion of its resources to continue to share its economic expertise with Federal, State and local governments who are considering competition and consumer protection issues. These comments before regulatory agencies serve to remind decisionmakers of the important competitive consequences of their actions and counterbalance those who would use administrative processes to the detriment of consumer welfare.

The remainder of this statement summarizes specific program activities that are included under the Commission's three principal missions.

III. Consumer Protection

The Consumer Protection mission's major goal is to improve market performance so that consumers can make informed purchase choices. In fiscal 1987, the Consumer Protection mission will utilize 560 workyears and $33,359,000. Workyears for fiscal 1987 are reduced by seven workyears in the administrative support area while dollar changes reflect known price adjustments. No major shift in mission emphasis is anticipated. As in the recent past, market-oriented remedies will be emphasized and information disclosure will remain central to many programs because it provides an efficient and effective way to allow consumers to regulate the market themselves.

The Commission will continue to monitor compliance with its rules and orders using resources in its Enforcement program. Under this program, the Commission will seek civil penalties and injunctions as sanctions against order and rule violations. Redress will be sought for those consumers who suffer economic loss from practices that violate rules and orders.

The Advertising Practices program seeks to reduce the number of unfair or deceptive service or product claims found in advertising. The Commission, as part of its case selection criteria, has developed statements on deceptive and unfair advertising that stress cost-benefit analysis. This approach assures the most efficient use of program resources.

The Credit Practices program seeks to pursue solutions to problems in the consumer credit market. Specifically, the Commission will work in fiscal 1987 to: help consumers comparison shop for credit; reduce discrimination in the granting of credit; protect the confidentiality of consumer financial data; and prevent economic losses resulting from computer billing errors. Consumer and business education will play a large role in achieving the goals of this important program.

In fiscal 1987, the Marketing Practices program work will focus on reacting to new instances of fraudulent acts and practices where injury to the public is ongoing. This effort includes seeking restitution for consumers harmed by deceptive product claims and fraudulent marketing techniques. The Marketing Practices program also will be used to ensure that warranty information is understood and made available to consumers prior to sale, and that all promises made under warranties are performed. Like the Credit Practices program, consumer and business education efforts will play a prominent role in helping consumers avoid potential pitfalls.

The Commission's goal of reducing unnecessary and costly marketplace restrictions will be pursued through the Service Industry Practices program. Rulemaking proceedings, investigations, reports and other approaches to eliminating unnecessary regulation of professional services will proceed. The Commission will assist state sunset commissions and other organizations interested in the impact of occupational regulation on consumers. Fiscal 1986 decisions regarding the Standards Rulemaking will be implemented in fiscal 1987 and related cases will be pursued, as appropriate. Investigations, litigation, and interventions will be continued or initiated, as appropriate, involving standards, regulation of professionals, nursing homes, advertising of professional services, and fraud and deception in the promotion of alternative investments and career counseling.

Finally, resources will be allocated for management of the mission and to provide thorough economic and legal analyses of proposed investigations and cases. These Program Management resources help ensure that all Commission actions will be supported by sound regulatory analyses. Emphasis will continue to be placed on supervision and the improvement of management at all levels of the Consumer Protection mission.

IV. Maintaining Competition

The Maintaining Competition mission's major goal is to detect and eliminate antitrust law violations, including collusion, anticompetitive mergers, predatory single firm conduct, injurious vertical restraints and other anticompetitive practices in the private sector. Since Federal, state and local government regulations may also restrict competition, a second major goal is to provide procompetitive analysis and comment in government proceedings that affect competition.

The Maintaining Competition mission budget includes 518 workyears and $31,084,000 for fiscal 1987. These resources reflect no change in real dollars from the fiscal 1986 budget and a six workyear reduction in the administrative support area. With the proposed level of funding, the Commission would have the means to carry forward into fiscal 1987 any existing fiscal 1986 matters and to initiate a number of new investigative, law enforcement, and advisory activities.

As in the last few years, the Commission will continue to work to fashion antitrust remedies that rely on industry members' competitive incentives for their effectiveness. The budget will continue to provide resources for thorough economic analyses to support mission antitrust activities.

Under the Merger program, the Commission, in cooperation with the Department of Justice, will investigate all substantial mergers, acquisitions, and joint ventures which come to its attention during fiscal 1987, and challenge those likely to engender injury to consumers. This, the largest of mission programs, also contains resources for the operation of the Hart-Scott-Rodino premerger notification activity which alerts Commission staff to possible antitrust violations in this area.

The mission's Energy and Natural Resources programs consist principally of investigation and litigation with regard to mergers and acquisitions within this group of industries, along with the discharge of a number of statutorily specified duties under, e.g., the Outer Continental Shelf Land Act, the National Energy Conservation Policy Act and the International Energy Program. Since the Commission has developed considerable expertise in the analysis of petroleum industry mergers, this program also contains resources to advise other government agencies and the Congress on competition problems in this field.

The Health Care program will consist chiefly of investigating and challenging practices that are believed to involve such activities as boycotts against insurers' cost-containment plans; concerted efforts to restrict the practice of health care providers such as HMO's, PPO's or non-physician providers; agreements among hospitals or other providers to restrict price or other forms of competition among them; and collusive restraints on truthful advertising. This program also will be active in providing advice to courts, Congress and federal and state agencies on health care issues.

The Transportation program will consist of investigation and litigation in relation to regulated and unregulated transport industries, as well as analysis and oversight of auto industry developments. Resources also will be used to encourage other transportation regulatory authorities to incorporate competitive considerations into their decisionmaking.

The Horizontal Restraints program activities will consist of investigation and litigation with regard to suspected collusion among competitors, including the structure and conduct of bid depositories, the activities of trade associations and standards-setting organizations, and the possible pro-collusive impact of certain government regulations.

In the Compliance program, resources will be used in 1987 to monitor and enforce compliance with outstanding Commission antitrust orders. This program also includes resources for reviewing such orders for their continuing suitability, and providing advice regarding the terms of proposed orders.

The International Antitrust program will use its resources to prevent private anticompetitive conduct in domestic import/export trade and to conduct international liaison activities involving transnational competition. Growth of international joint ventures and of commercial activity in this country by foreign firms should ensure an active International program.

The Market Power program will use resources in fiscal 1987 to investigate suspected instances of monopolization or attempted monopolization. Other abuses by firms with market power protected by entry barriers will also be investigated. Litigation will be pursued whenever justified.

During fiscal 1987, the Distributional Restraints program will use resources to investigate and prosecute suspected anticompetitive resale price maintenance and price discrimination actions, including power-buyer inducement of discriminating prices. This program also includes the investigation and prosecution of non-price vertical restraints which are predominantly anticompetitive in their impact.

The Food program will consist primarily of investigation and, if warranted, litigation, with respect to alleged anticompetitive mergers and acquisitions in food and beverage processing and distribution, price discrimination that may injure consumers, and other restraints, governmental or private, on free competition in this industry.

V. Economic Activities

The Economic Activities mission guides and supports the Commission's Competition and Consumer Protection efforts in both policy development and matter selection and analysis. The long-range goal of the mission is to promote a more efficient and productive economy by strengthening market competition and reducing burdensome regulation. To achieve this goal, mission resources will be used to: provide economic analysis for antitrust and consumer protection investigations, cases, and rulemakings; advise the Commission on the impact of governmental regulation on competition and consumers in various industries; and develop special reports on competition, consumer protection, and regulatory issues of particular interest to the Commission and Congress.

In fiscal 1987, the Economic Activities mission will utilize 76 workyears and $4,602,000. There is a one workyear reduction in administrative support from fiscal 1986 while dollar changes reflect expected price adjustments.

The Economic and Consumer Policy Analysis program undertakes numerous studies to further the Commission's knowledge regarding consumer protection and the proper role of government regulation in advancing a competitively functioning economy. Areas of particular interest in fiscal 1987 include: product quality problems in consumer markets; competitive or regulatory problems of small businesses; the market for life care homes and other extended care options for the elderly; and regulation and competition in health care markets.

The Antitrust Policy Analysis program complements the Commission's Maintaining Competition mission in much the same manner as the Economic and Consumer Policy Analysis program complements the Consumer Protection mission. This program's resources will be used in fiscal 1987 to increase the Commission's knowledge and understanding of those market situations in which antitrust action will result in a more competitively functioning economy. In fiscal 1987, the following areas are planned for study: the use of stock market data to evaluate the competitive effects of proposed mergers; the determinants and impacts of conglomerate mergers, takeovers, and sell-offs; the efficiency versus concentration arguments as explainers of superior firm performance; the use of litigation for competitive purposes; conduct and performance effects of corporate diversification; relationship between rate of return on investment and market share; and analysis of the causes and consequences of vertical integration.

Finally, resources will be allocated to provide management direction of mission activities, and to coordinate efforts with the Maintaining Competition and Consumer Protection missions. Other objectives of this program will be to more fully develop and utilize professional staff, and provide easier access to information sources and other research tools.

VI. Management Initiatives

A major management initiative involves improving staff productivity through increased use of modern computer technology. Over the past years, the FTC has developed and put in place some effective computer systems and related equipment but there remains a vast potential for productivity increases that the agency has yet to realize through computer technology.

To utilize the latest technology, the agency has embarked on a process to evaluate its information needs and to prepare a long-term plan for implementation to start in fiscal 1986.

We will seek to upgrade our telecommunication capabilities by purchasing a modern telecommunications system. Funds are available in the fiscal 1986 budget.

Second, we will upgrade our central computer facility to provide more timely and cost effective service to users of the central information systems.

The third phase of the plan will be to provide a workstation to all of our professional staff to access all internal and external data bases as well as to perform communications, data base, and word processing functions. We will implement these phases over time and will request funds once detailed plans are completed.

* * * * *

In summary, the Commission's fiscal 1987 budget request provides for a slightly lower workyear level of 1,154 when compared to the agency's pre-Gramm-Rudman-Hollings base for fiscal 1986. Over the long run, this request will enable us to carry out the important mandate that Congress has entrusted to the Commission. To meet our mission objectives while living within the dollar estimates will require effective management. Our request of $69,045,000 is $3,545,000 over our fiscal 1986 appropriated base of $65.5 million. Nearly 65 percent of this 5.4 percent increase is directly related to higher office space cost. The remaining 35 percent is attributed to normal price increases over which the Commission has no control and is not able to absorb.

SUMMARY OF 1987 BUDGET REQUEST
(dollars in thousands)

	1986 Appropriated		1987 Budget Request		Change	
	Wkyrs.	Dollars	Wkyrs.	Dollars	Wkyrs.	Dollars
Consumer Protection	567	$31,661	560	$33,359	-7	$1,698
Maintaining Competition	524	29,540	518	31,084	-6	1,544
Economic Activities	77	4,406	76	4,602	-1	303
Totals	1,168	65,500	1,154	69,045	-14	3,545

The Gramm-Rudman-Hollings base for submitting the agency's reprogramming request is shown in Attachment A immediately following this overview statement.

MAINTAINING COMPETITION MISSION
OVERVIEW STATEMENT

LONG-RANGE GOALS

In enforcing the Clayton and Federal Trade Commission Acts through its Maintaining Competition Mission, the Commission examines a wide variety of industries and commercial practices and, when appropriate, takes action to ensure that competition in the Nation's markets for goods and services is maintained and, if possible, enhanced.

The mission's specific long-range goals include the detection and elimination of antitrust law violations, including collusion, anticompetitive mergers, predatory single firm conduct, injurious vertical restraints, and other anticompetitive practices and restraints upon independent competitive decision making. The Commission considers it vital that antitrust analysis also be brought to bear upon legislative and regulatory restrictions on competition imposed by government bodies at the federal, state, and local levels. Therefore, an additional long-range goal is to provide procompetitive analysis and comments in government proceedings that effect competition in areas important to consumers.

The Commission seeks to correct anticompetitive restraints in a manner that will best assure the working of free market forces. Thus, it seeks to fashion antitrust remedies that rely for their effectiveness on industry members' competitive incentives. These efforts ensure that the Commission, while maintaining a significant enforcement presence across many broad sectors of the economy, prescribes solutions for competitive problems that will work because they harness the forces and responses of freely competitive markets.

MAJOR OBJECTIVES

To achieve the Maintaining Competition Mission's long-range goals of reducing public and private restraints on competition and ensuring the operation of unhindered market forces throughout the economy, the Commission has targeted a number of discrete objectives based on the specific anticompetitive practices or particular statutory responsibilities of the Commission, that involve those major sectors of the economy with the greatest impact on the consumer.

These principal objectives are:

(1) To scrutinize and, when appropriate, to challenge the conduct of particular firms or industries that exhibit competitive restraints resulting in higher prices or reduced supplies or quality.

(2) To examine and take appropriate action in markets in which artificial and harmful barriers to entry or expansion have developed that hinder the ability of current or potential sellers to compete in the marketplace.

(3) To investigate apparent problems of market dominance and market power and non-competitive industry practices, and to take appropriate enforcement action to rectify these problems.

(4) To monitor, investigate, and when appropriate, to take action against mergers and joint ventures that may substantially lessen competition, tend to create a monopoly, or otherwise violate the laws administered by the Commission.

(5) To scrutinize industries for evidence of horizontal restraints and relationships that may have the effect of raising prices, impeding entry or expansion, or otherwise blunting the competitive incentives of firms, and to take any appropriate action against such restraints.

(6) To investigate and take appropriate action to eliminate or prevent distributional restraints that adversely affect competition.

(7) To perform specific responsibilities mandated by various United States statutes, including the Hart-Scott-Rodino Antitrust Improvements Act, the Railroad Revitalization and Regulatory Reform Act, and the Deepwater Port Act.

(8) To provide information, advice, and assistance to the Congress and to various federal, state, and local government bodies concerning substantial competitive questions, with particular emphasis on the elimination of regulations that may unduly limit the supply or raise the prices of essential consumer goods and services.

(9) To assure compliance with Commission orders to cease and desist from certain conduct, for divestiture, or for other forms of relief, and to investigate and take appropriate action against instances of non-compliance.

(10) To provide guidance and information to those seeking to comply with the laws administered by the Commission.

SUMMARY OF PROGRAMS

The Commission budget includes 518 workyears and $31,084,000 for the Maintaining Competition Mission. These resources reflect a decrease of 6 workyears in the mission's share of administrative support. The dollar increase of $1,544,000 will maintain the same direct mission enforcement levels between fiscal years. With this level of funding, the Commission would have the means to carry forward into fiscal 1987 existing matters and to initiate a number of investigative, advocacy, advisory, and other activities.

MERGER PROGRAM

This program will investigate those substantial mergers, acquisitions, and joint ventures which come to our attention during fiscal 1987, and challenge those that appear likely to engender injury to consumers. This program also provides for the operation of the statutory premerger notification program which alerts us to such transactions.

ENERGY AND NATURAL RESOURCES PROGRAMS

These programs will very likely continue to consist principally of investigation and litigation with regard to mergers and acquisitions within this group of industries, along with the discharge of a number of statutorily specified duties under, e.g., the Outer Continental Shelf Lands Act, the National Energy Conservation Policy Act and the International Energy Program.

SUMMARY OF GRAMM-RUDMAN-HOLLINGS REDUCTIONS

	1986 BASE		4.3% G.R. REDUCTION		1986 ADJUSTED		DIFFERENCE		1987 REQUEST	
	($000)	WKYRS	($000)	WKYRS	($000)	WKYRS	($000)	WKYRS	($000)	WKYRS
MAINTAINING COMPETITION MISSION:										
-Petroleum......................	1043	22	-45	-1	998	21	64	1	1062	22
-Energy & Natural Resources......	649	14	-28	-1	621	13	37	1	658	14
-Food Industries................	1235	28	-53	-1	1182	27	74	1	1256	28
-International Antitrust.........	949	20	-41	-1	908	19	57	1	965	20
-Transportation.................	1158	25	-50	-1	1108	24	71	1	1179	25
-Health Care....................	1771	40	-76	-2	1695	38	108	2	1803	40
-Market Power Matters...........	566	12	-24	0	542	12	33	0	575	12
-Mergers & Joint Ventures........	4365	93	-188	-4	4177	89	271	4	4448	93
-Horizontal Restraints...........	2527	55	-109	-2	2418	53	145	2	2563	55
-Distributional Restraints.......	1309	30	-56	-1	1253	29	77	1	1330	30
-Compliance.....................	1030	22	-44	-1	986	21	61	1	1047	22
-Program Evaluation.............	731	16	-31	-1	700	15	43	1	743	16
-Other Direct Mission...........	1253	20	-54	-1	1199	19	75	1	1274	20
TOTAL, MC MISSION..............	18586	397	-799	-17	17787	380	1116	17	18903	397
CONSUMER PROTECTION MISSION:										
-Enforcement....................	4249	96	-183	-4	4066	92	257	4	4323	96
-Advertising Practices...........	3136	70	-135	-3	3001	67	189	3	3190	70
-Credit Practices...............	3378	76	-145	-3	3233	73	201	3	3434	76
-Marketing Practices............	3544	79	-152	-3	3392	76	210	3	3602	79
-Service Industry Practices......	3086	71	-133	-3	2953	68	187	3	3140	71
-Program Management.............	2416	38	-104	-2	2312	36	144	2	2456	38
TOTAL, CP MISSION..............	19809	430	-852	-18	18957	412	1188	18	20145	430
ECONOMIC ACTIVITIES MISSION:										
-Economic & Consumer Policy Analysis......................	931	19	-40	-1	891	18	51	1	942	19
-Antitrust Policy Analysis.......	896	19	-39	-1	857	18	55	1	912	19
-Other Direct Mission...........	939	20	-40	-1	899	19	54	1	953	20
TOTAL, EA MISSION..............	2766	58	-119	-3	2647	55	160	3	2807	58
SUPPORT ACTIVITIES..............	13000	283	-559	-12	12441	271	201	-2	12642	269
SPACE RENT......................	6156	0	-265	0	5891	0	3054	0	8945	0
OTHER COST......................	5183	0	-223	0	4960	0	643	0	5603	0
AGENCY TOTAL...................	65500	1168	-2817	-50	62683	1118	6362	36	69045	1154
REGIONAL OFFICES:										
Maintaining Competition Mission.	2431	51	-105	-2	2326	49	146	2	2472	51
Consumer Protection Mission.....	5526	118	-238	-5	5288	113	406	5	5694	118
TOTAL........................	7957	169	-343	-7	7614	162	552	7	8166	169

ATTACHMENT 3

HEALTH CARE PROGRAM

This program will consist chiefly of investigating and challenging practices that are believed to entail boycotts against insurers' cost-containment plans, concerted efforts to restrict the practice of health care providers such as HMO's, PPO's or non-physician providers, agreements among hospitals or other providers to restrict price or other forms of competition among them, and collusive restraints on truthful advertising; and providing advice to courts, Congress and federal and state agencies.

TRANSPORTATION PROGRAM

This program will consist of investigation, litigation, and advocacy in relation to regulated and unregulated transport industries, as well as analysis and oversight of auto industry developments.

HORIZONTAL RESTRAINTS PROGRAM

This program will receive a significantly increased resource allocation in fiscal 1986 and 1987, will consist of investigation and litigation with regard to suspected collusion among competitors, including the structure and conduct of bid depositories, the activities of trade associations and standards-setting organization, and the possible pro-collusion impact of certain government regulations.

COMPLIANCE PROGRAM

In addition to monitoring and enforcing compliance with outstanding Commission antitrust orders, this program includes the review of such orders for their continuing suitability, and advice regarding the provisions of proposed orders.

INTERNATIONAL ANTITRUST PROGRAM

This program will deal not only with possible antitrust violations with international features, but also with international relations in the antitrust enforcement field.

MARKET POWER PROGRAM

This program will consist of the investigation of suspected instances of monopolization or attempted monopolization and of lesser abuses by firms with market power protected by entry barriers, and where appropriate, the litigation of such matters.

DISTRIBUTIONAL RESTRAINTS PROGRAM

This program subsumes the investigation and prosecution of suspected anticompetitive resale price maintenance and price discrimination, including power-buyer inducement of discriminating prices, as well as of non-price vertical restraints which are believed to be predominantly anticompetitive in their impact.

FOOD PROGRAM

This program will likely consist primarily of investigation and, if warranted, litigation, with respect to suspected anticompetitive mergers and acquisitions in food and beverage processing and distribution, price discrimination which may injure consumers, and other restraints, governmental or private, on free competition in this industry.

EVALUATION, PLANNING AND DEVELOPMENT PROGRAM

This program focuses on five areas: evaluation of current Bureau of Competition initiatives, coordination of Bureau activity in competition advocacy, development of new initiatives, planning for future Bureau activities, and management of the use of Bureau resources in ongoing matters.

PROGRAM SUMMARY

MISSION Maintaining Competition	**PROGRAM NAME** Petroleum	**CODE** AA	**PAGE** 1 of 2 **DATE** 1/31/86

DESCRIPTION OF PETROLEUM AREA/LONG-RANGE GOALS

This program is designed to preserve and foster competition and efficiency in the petroleum industry, including crude oil exploration and production, refining, transportation, and marketing. Petroleum plays a pivotal role in the nation's economy, and crude oil and refined products are critical to consumers and industry users. Competitive problems hindering the effective exploration for and the production, refining and distribution (as petroleum products) of crude oil will have significant implications well into the next century. Therefore, limitations on competition -- whether generated by possibly non-competitive industry behavior, or resulting from government regulation -- can both hinder the performance of the petroleum industry and adversely affect other basic sectors of the economy, such as agriculture and transportation, which depend heavily on crude oil and its refined products.

The overall goal of this program is to understand the dynamics of the petroleum industry, and to identify and eliminate, where possible, both private and governmental restrictions that unnecessarily diminish competition at any level of the industry.

The specific goals of this program are:

(1) to promote consumer welfare and competition in the conduct and performance of various levels of the petroleum industry.

(2) to examine the competitive impact of governmental regulation of the petroleum industry and to advocate, where appropriate, consideration of competition concerns or market solutions as alternatives to regulatory action; and

(3) to determine whether independent producers, refiners, distributors, terminal operators, marketers, and other segments of the petroleum industry are unlawfully denied access to petroleum and petroleum markets, whether output is or may be restricted, and whether consumers may be denied the benefit of price/quality options.

MAJOR OBJECTIVES AND STRATEGIES

OBJECTIVES

(1) To investigate, identify and rectify, through case by case litigation or other appropriate action, any unlawful restraints on competition in this industry or any instances of anticompetitive conduct or mergers and acquisitions that may unduly restrict supplies, increase costs of production or distribution, erect barriers to entry, or raise consumer prices of crude petroleum and petroleum products.

(2) To promote vigorous competiton which produces the maximum efficient development, utilization and allocation of petroleum resources at the lowest possible price.

(3) Through data-sharing and consultation with the Department of Justice and other relevant agencies, to provide expert competition impact advice and analyses of legislative and regulatory programs to the President, the Congress, and other appropriate agencies. The achievement of the objectives of this program can be measured by reference to the prices that industrial and consumers users pay for petroleum fuels subject to enforcement action; price-cost margins of profits of producers, processors, distributors and marketers of such fuels; the quantities of fuels available and efficient utilization, profitability and market allocation of crude petroleum and petroleum products.

STRATEGIES

The strategies the Commission will employ in this Petroleum Program are investigation, litigation, including administrative litigation or federal court injunctive proceedings under Section 13(b) of the FTC Act, the preparation of reports and recommendations to and intervention before appropriate agencies, judicial, and legislative bodies, and staff reports to

(continued)

RESOURCE SUMMARY	WORK-YEARS	DOLLARS ($000)
FISCAL 1986	22	$1,043
FISCAL 1987	22	1,062
CHANGE		+19
% CHANGE		+2%

FTC Form 46 rev. 3/86

PROGRAM SUMMARY (CONTINUED)

MISSION Maintaining Competition	PROGRAM NAME Petroleum	CODE AA	PAGE 2 OF 2 DATE 1/31/86

the Commission and the Congress on selected competition issues in this industry.

IMPACT STATEMENT

During 1987 the Petroleum Program will continue to concentrate on maintaining competition in the performance of the petroleum industry in conjunction with Congressionally mandated activities designed to maximize market allocation of petroleum reserve exploration and production opportunities. The proposed program funding level provides resources required for initiation or continuation reviews of significant horizontal oil company mergers under the Hart-Scott-Rodino Act; two to three matters in litigation involving possible violations of the antitrust laws; continuation of an effort to analyze and comment upon existing or proposed regulations, laws or judgements affecting the petroleum industry; and anticipated obligations under the Outer Continental Shelf Lands Act and the International Energy Program.

At this level, it would be possible to initiate or continue possible litigation involving significant industry matters which serve as a bottleneck to competition; complete two reports to the President, and the Congress in the International Energy Program; complete analysis and comments on Outer Continental Shelf lease sales; and to complete several analyses and comments on regulations involving the petroleum industry.

FTC Form 46 A (rev. 12/81)

[illegible]	**PROGRAM SUMMARY**		PAGE 1 of 1
MISSION MAINTAINING COMPETITION	PROGRAM NAME ENERGY AND NATURAL RESOURCES	CODE [illegible]	DATE 1/31/86

DESCRIPTION OF PROBLEM AREA AND LONG-RANGE GOALS

This program seeks to identify and correct competitive problems (a) within discrete energy markets and among competitive energy sources (particularly non-petroleum fuels such as coal, natural gas, uranium and solar energy], and (b) in other natural resource industries including minerals, forest products and related industries. The potential problems include (a) the possibility that mergers and joint ventures by firms in these industries may restrain the supply of these resources or products, artificially increase prices to consumers, or inhibit the development of new technologies; and (b) the possibility of collusion, exclusionary behavior or other anticompetitive conduct that may have similar effects. Market characteristics found in many of these industries that may facilitate anticompetitive behavior include market concentration, relatively inelastic demand, homogeneous products, and a generally long time required for entry.

The goals of the program are two-fold: (1) to promote and maintain competition and efficiency in the development, production, distribution and use of energy and other natural resources; and (2) to encourage the development and diffusion of beneficial new technologies. Both goals are aimed at providing both industrial and individual consumers with desired goods and services at a competitive price.

MAJOR OBJECTIVES AND STRATEGIES

A. Objectives

1. Prevent mergers, acquisitions and joint ventures that have a serious potential for lessening competition.
2. Detect and restrain collusion, unreasonable exclusionary behavior and other anticompetitive conduct that may restrain supply, artificially increase prices or inhibit the development and diffusion of new technologies.
3. Prevent energy firms from restricting competition among substitutable energy sources.

B. Strategies

1. Seek voluntary cessation of anticompetitive acts and practices.
2. Litigation to obtain cease and desist orders, divestiture, or other relief.
3. Consumer redress action, if appropriate.
4. Advisory opinions, upon request.
5. Competition advocacy before federal and state agencies with jurisdiction over energy and other natural resources.

IMPACT STATEMENT

This program will enable the agency to fulfill its obligations under the Hart-Scott-Rodino Act and Section 7 of the Clayton Act with respect to mergers and acquisitions in non-petroleum energy and other natural resource industries; enable the agency to fulfill its obligations under the National Energy Conservation Policy Act, the Power Plant & Industrial Fuel Use Act and the Deep Seabed Hard Mineral Resources Act; actively monitor numerous industries for potentially anticompetitive behavior or conduct and initiate investigations and enforcement proceedings if appropriate; analyze and respond to advisory opinion requests, as appropriate; and facilitate participation in competition advocacy where appropriate.

RESOURCE SUMMARY	WORK-YEARS	DOLLARS ($000)
FISCAL 1986	14	$649
FISCAL 1987	14	658
CHANGE		9
% CHANGE		1%

FTC Form 46 (rev. 1/80)

PROGRAM SUMMARY

MISSION Competition	PROGRAM NAME Food Industries	CODE NB	PAGE 1 of 2 DATE 1/31/86

DESCRIPTION OF PROBLEM AREAS AND LONG-RANGE GOALS

The food program is concerned with competitive problems in the food and beverage industries that may cause restrictions of supplies, poor quality, limited choices, or high costs to consumers. These problems may result from high concentration within the different levels of the industry and within different segments; deterrants or barriers to entry or expansion, which result in restriction of output; or practices such as collusion, price-fixing, price discrimination or predatory activity, all of which ultimately raise the price of food to the consumer.

The goal of the program is ensuring, to the extent possible, that the consumer will pay the most reasonable prices for food and beverage items. Thus, the goal of the program is also to reduce or eliminate any influences that may interfere with vigorous competition causing price increases to the consumer. Other goals are to prohibit the restriction of product choices available to the consumer in the food segment and to ensure that the food industry is accessible at all levels, from production to retailing, to new entrants.

MAJOR OBJECTIVES AND STRATEGIES

OBJECTIVES

1. Prevent competitors in the food distribution segment of the industry, primarily at the retail level, from inhibiting competitors' growth or deterring new competitors from coming into their markets.
2. Prevent or reduce the opportunities for collusion resulting from mergers or acquisitions between competitors, particularly in those segments in which the likelihood of collusion is heightened by the small number of effective competitors or by external factors encouraging collusion.
3. Eliminate exchanges of information among members of an industry segment that enable them to increase or stabilize food prices or restrict product choices beyond those levels that would be established through vigorous competition.
4. Develop criteria or analytic framework for assessing whether certain activities by industry associations impede or discourage vigorous competition.
5. Redress the artificial increase in prices resulting from regulatory restraints on competition.
6. Eliminate facilitating practices by industry members that may provide information to competitors that assist the firms in establishing, maintaining or adjusting any consensus on price.

Success in attaining the objectives of this program may be assessed by reference to wholesale and retail food price-cost margins; the number and size of producers, manufacturers and distributors offering food products at competitive prices; and the frequency and success of new entry or expansion in the food industries.

STRATEGIES

This program will study; investigate; and litigate, when appropriate, problems in the food industries in an effort to eliminate those situations and practices which do not contribute to an efficient and competitive market.

1. Monitor, investigate and challenge, where appropriate, mergers and acquisitions in the food industries.
2. Investigate and litigate restraints upon availability of comparative price information to consumers.

RESOURCE SUMMARY	WORK-YEARS	DOLLARS ($000)
FISCAL 1986	28	$1,235
FISCAL 1987	28	1,256
CHANGE		21
% CHANGE		2%

FTC Form 46 (rev. 3/84)

PROGRAM SUMMARY (CONTINUED)

MISSION Competition	PROGRAM NAME Food Industries	CODE [illegible]	PAGE 2 OF 2 DATE 1/31/86

3. Complete a study of the impact of new developments in retailing upon the pricing dynamics of the retail grocery segment.

4. Investigate and challenge, if appropriate, regulatory restraints on competition.

5. Monitor, investigate and challenge, where appropriate, allegations of anticompetitive acts or practices in the food industry.

6. Monitor, investigate and challenge, where appropriate, activities of industry associations that restrain competition.

IMPACT STATEMENT

The resources allocated to this program will support the conclusion of several major investigations initiated in FY '85 or FY '86 and the continuation of any litigation from FY '86. There will also be sufficient resources to continue monitoring mergers or acquisitions and initiating investigations of possible anticompetitive practices. It is unlikley that there could be more than one new major investigation of industry developments which could affect competition. If there are no enforcement efforts dedicated to this segment of the economy, it is more likely that competition at one or more levels of the sector and within the many segments of the industry will decline and that there will be a concomitant increase in at least some food prices and a restriction of available product choices.

FTC Form 45 A (rev. 12/81)

PROGRAM SUMMARY

			PAGE 1 of 2
MISSION Maintaining Competition	PROGRAM NAME International Antitrust	CODE BI	DATE 1/31/86

DESCRIPTION OF PROBLEM AREAS AND LONG-RANGE GOALS

The principal aim of the International Antitrust program is the prevention or reduction of anticompetitive conduct in United States domestic, import/export trade which can have a significant adverse impact on inflation and the costs of vital products for consumers or American industry. Foreign cartels aimed at United States markets can have a significant adverse impact on inflation and the costs of vital products. Where foreign governments are involved in the operation of traditionally private markets -- as is increasingly the case -- a direct challenge to traditional antitrust analysis is posed. The increasingly important role of imports and exports in the American economy in recent years has demonstrated the importance of analyzing such corporate conduct within the competitive context of world markets. At the same time, many of this country's largest trading partners have displayed increasing sensitivity towards having their companies' behavior measured against the traditional American norms of robust competition, even where the effect on the American economy of such behavior is demonstrable, direct and immediate. The lack of international consensus on competitive norms, and the limits on United States ability to enforce compliance on foreign actors in foreign jurisdictions requires special attention to notification and consultation techniques in cases with a transnational dimension, and, frequently, the use of special methods to secure evidence from abroad.

The overall goal of the program is to analyze ongoing and proposed corporate behavior having a significant foreign component to ensure that American domestic and export markets remain competitive, bringing to bear specialized expertise to ensure that antitrust enforcement is conducted in a thorough manner which, to the extent possible, avoids antagonizing foreign trading partners.

The specific goals of the program are: (1) to analyze proposed acquisitions of American firms by foreign concerns to ensure that such acquisitions do not adversely affect American commerce; (2) to examine sales and marketing arrangements between and among foreign firms, or between American and foreign firms, to ensure that the flow of import and export trade remains competitive; (3) to examine the impact on competition in the United States domestic or export trade of proposed Government regulation relating to actions by foreign firms and to suggest, where appropriate, consideration of competitive, market-oriented solutions to problems as an alternative to regulatory action.

MAJOR OBJECTIVES AND STRATEGIES

OBJECTIVES

(1) To identify and correct, through investigation and litigation or through other appropriate Commission action, unlawful restraints on competition affecting United States domestic, import and export trade and commerce which also involve such issues as: American jurisdiction over acts occurring outside this country; transnational legal and policy considerations; and domestic and/or foreign participants and conduct. Major emphasis will be placed on horizontal restraints and other anticompetitive conduct which adversely affects (1) the domestic commerce of the United States and negatively impacts upon the ultimate consumer price for goods and services, or (2) the ability of American firms to compete here and abroad, and which otherwise may adversely affect vigorous competition.

(2) To identify and correct anticompetitive effects resulting from mergers, acquisitions, joint ventures, or similar agreements, between and among United States enterprises and foreign or foreign based enterprises. Emphasis will be placed on insuring legal compliance with the notification provisions of the Hart-Scott-Rodino Act by the enterprises involved to permit complete antitrust review of such transactions by the Commission under the substantive provisions of the Clayton Act.

(Continued)

RESOURCE SUMMARY	WORK-YEARS	DOLLARS ($000)
FISCAL 1986	20	$949
FISCAL 1987	20	965
CHANGE		16
% CHANGE		2%

FTC form 45 rev. 1/86

PROGRAM SUMMARY (CONTINUED)

MISSION	**PROGRAM NAME**	**CODE**	**DATE**	**PAGE**
Maintaining Competition	International Antitrust	BI	1/31/86	2 OF 2

(3) To minimize international law and policy conflicts with foreign governments in order to promote and facilitate discovery, jurisdiction and cooperative action in antitrust matters being dealt with by the Commission involving foreign conduct of United States enterprises abroad, or domestic or foreign conduct of foreign enterprises affecting the commerce of the United States. Emphasis will be placed on performing the notification and consultation requirements set forth in various multilateral and bilateral antitrust cooperation agreements to which the United States is a party.

(4) To participate before other government agencies in addressing issues raising significant competitive concerns arising out of activities by foreign firms in the United States or by export-related activities of United States firms.

(5) To maintain, develop and expand expertise on international legal aspects of antitrust cases and competition issues involving foreign participants and conduct, and transnational transactions and markets in which the Commission is, and may become, involved. In conjunction with the Bureau of Economics, to provide international expertise regarding such matters as discovery, jurisdiction, and foreign laws and economies affecting Commission antitrust initiatives and sources and means of acquiring information pertaining to foreign commerce to assist the Commission in its overall law enforcement activities.

STRATEGY

The strategies to be employed under this program are: investigation; litigation; legal and economic analysis; merger screening review of filings under the Hart-Scott-Rodino Antitrust Improvements Act; continued participation in OECD and other domestic and international organizations concerned with international antitrust and trade regulation matters; participation in trade relief proceedings at the Commerce Department and International Trade Commission; and continued liaison with other government agencies on foreign commerce issues having potential antitrust concerns.

IMPACT STATEMENT

During 1987 the International Antitrust Program will continue to concentrate on the prevention or reduction of anticompetitive conduct in domestic, import and export trade which may have a significant adverse impact on inflation and the costs of vital products for consumers and American industry. Funding during FY87, if maintained at the FY86 level, will provide sufficient resources for the continuation of investigations and litigation carried forth from 1986, and the initiation of one or two new investigations. It will also provide resources for continuation at the current level of screening and analysis of mergers and acquisitions between and among United States enterprises and foreign or foreign based enterprises and related types of agreements (i.e., joint ventures, research and development agreements), and maintaining full performance of notification and consultation requirements under existing multilateral and bilateral agreements. The number of such transnational mergers has been on the increase for the last several years, and required notifications and other forms of international cooperation under international antitrust cooperation agreements have increased during each of the last three years. At this level of funding, the program should also be able to maintain its current ability to analyze and comment on the competitive impact of certain domestic and foreign legislative and regulatory programs to the Commission, and when appropriate, to continue its participation before other government agencies in competition-related trade matters. The program will continue to provide expertise and assistance to the Commission on the increasing instances of matters with transnational elements which require the Commission to address international policy, procedural and substantive issues.

PROGRAM SUMMARY

MISSION MAINTAINING COMPETITION	**PROGRAM NAME** TRANSPORTATION	**CODE** C3	**PAGE** 1 of 1 **DATE** 1/31/86

DESCRIPTION OF PROBLEM AREA AND LONG RANGE GOALS

The transportation sector represents a significant portion of the Gross National Product, and supplies a variety of essential goods and services. Avoidable anticompetitive conditions in the industries which transport passengers and freight, including the airline, motor freight, railroad, intercity bus and local taxicab industries, create inefficiency and waste, and impose unnecessary costs on consumers. The industries that produce and distribute transportation equipment and parts and the several service industries that support transportation are also sources of competitive concern. Finally, competitive conditions in the automobile industry have considerable impact throughout the economy, and regulations that unnecessarily distort competition among automobile manufacturers or distributors may produce undesirable effects. The long-term goal of this program is to ensure that consumers enjoy the benefits of free and unfettered competition in the transportation industries to the fullest extent possible. This goal will be accomplished by seeking to identify and eliminate restraints on competition, whether imposed by private parties or by government, in order to achieve better economic performance.

MAJOR OBJECTIVES AND STRATEGIES

OBJECTIVES

(1) Reduction of unwarranted economic regulation of transportation industries.

(2) Elimination of anticompetitive conditions and restraints of trade in the manufacture and distribution of transportation equipment and parts, related service industries and unregulated transportation industries.

(3) Monitoring of competitive conditions in automobile manufacturing and distribution and reduction of regulation that interferes with competitive performance.

(4) Monitoring of competition in newly deregulated transportation industries and elimination of collusion or other illegal restraints of trade.

STRATEGIES

In order to promote competition in the transportation sector, this program will identify regulations which may adversely affect competition and develop empirical and theoretical evidence demonstrating these effects. Based on these studies the agency may advocate changes in regulatory policy as appropriate through publication of reports, recommendations to Congress or federal, state or local agencies, participation in regulatory proceedings and court challenges to regulatory agency decisions. Investigation and litigation will be the principal means of achieving the objective of eliminating restraints of trade in unregulated areas.

IMPACT STATEMENT

Existing matters likely to result in litigation can be completed, and a program of studies, comment and intervention in rail, motor carrier, and taxi rate and entry regulation can be conducted. Some new investigations in the areas of transportation equipment and parts and unregulated transportation could be initiated or pursued, and some resources would be available for study and comment on regulatory policy affecting the automobile industries.

RESOURCE SUMMARY	WORK-YEARS	DOLLARS ($000)
FISCAL 1986	25	$1,158
FISCAL 1987	25	1,179
CHANGE		21
% CHANGE		2%

FTC Form 45 rev. [illegible]

PROGRAM SUMMARY

MISSION MAINTAINING COMPETITION	**PROGRAM NAME** HEALTH CARE	**CODE** CE	**PAGE** 1 of 1 **DATE** 1/31/86

DESCRIPTION OF PROBLEM AREA AND LONG-RANGE GOALS

The cost of health care affects every consumer. Most consumers consider the availability and costs of high-quality professional health services to be of the utmost importance. However, the cost of health care is rising at an alarming rate.

These rapidly escalating costs are making an unnecessarily large demand on our national resources. The supply, quality, and cost of professional health services may be affected by numerous factors, including competition among health care providers,the availability in the marketplace of information about health care services and their cost, the nature of price-setting mechanisms, health care prepayment and financing programs, innovations in health care delivery, government regulations and benefit programs, competition among institutions in which professional health services are provided, and competition among manufacturers of specialized equipment used in the delivery of health care services.

The long range goal of this program is to permit increased competitive forces to create a better and less expensive high quality and efficiently operating health care system.

MAJOR OBJECTIVES AND STRATEGIES

OBJECTIVES

In the context of the overriding goal of maintaining and enhancing competition in the field of health care, the Commission pursues a number of discrete objectives under this program.

(1) To reduce, or limit increases in, the prices that consumers pay for health care;

(2) To improve, or prevent reduction in, the quality of health care consumers receive at existing price levels;

(3) To increase opportunities for, or prevent various barriers to, the practice of health care by qualified professionals and paraprofessionals;

(4) To increase consumers' ability to choose among competing mechanisms that provide health care services; and

(5) To bring the benefits of vigorous competition to hospitals, providers, and consumers purchasing health care equipment and supplies.

STRATEGIES

The traditional strategies of investigation and antitrust litigation will continue to be used in this area, particularly when dealing with such alleged conduct as price-fixing and group boycotts. It may be appropriate to prepare enforcement policy statements, industry guides or reports to the Congress with respect to certain competitive problems in this field. In addition, the Commission will continue to provide testimony and other information and advice to the Congress, the Department of Health and Human Services and other federal and state government agencies concerning the competitive effects of present and proposed statutes and regulations, with a view toward removing unjustified constraints on competition and encouraging, in appropriate situations, the use of regulations that use a competition-oriented "market incentive" rather than a "command and control" approach. In addition, the Commission will provide health care competition advocacy in the form of amicus curiae briefs to aid courts considering health care antitrust cases.

IMPACT STATEMENT

At the proposed resource level, the Commission will be able to continue the major matter and program initiatives underway that will be under investigation or in adjudication in fiscal 1987, and to initiate a substantial number of new investigations in response to possible antitrust violations. These areas of Commission activity are primarily investigating and challenging boycotts against insurers' cost-containment plans, concerted efforts to restrict the practice of health care providers such as HMO's, PPO's or non-physician providers, agreements among hospitals or other providers to restrict price or other forms of competition among them, collusive restraints on truthful advertising, and providing advice to courts, Congress and federal and state agencies.

RESOURCE SUMMARY	WORK-YEARS	DOLLARS ($000)
FISCAL 1986	40	$1,771
FISCAL 1987	40	1,803
CHANGE		32
% CHANGE		2%

FTC Form 46 (rev. 1/80)

FISCAL 1987 BUDGET REQUEST
(dollars in thousands)

Mission: Maintaining Competition

	Fiscal 1986		Fiscal 1987		Change	
Program Description	Wkyrs	Amount	Wkyrs	Amount	Wkyrs	Amount
Petroleum	22	$1,043	22	$1,062	...	$19
Energy & Natural Resources	14	649	14	658	...	9
Food Industries	28	1,235	28	1,256	...	21
International Antitrust	20	949	20	965	...	16
Transportation	25	1,158	25	1,179	...	21
Health Care	40	1,771	40	1,803	...	32
Market Power Matters	12	566	12	575	...	9
Mergers & Joint Ventures	93	4,365	93	4,448	...	83
Horizontal Restraints	55	2,527	55	2,563	...	36
Distributional Restraints	30	1,309	30	1,330	...	21
Compliance	22	1,030	22	1,047	...	17
Program Evaluation	16	731	16	743	...	12
Other Direct Mission Resources	20	1,253	20	1,274	...	21
Total Direct Mission	397	18,586	397	18,903	...	317
Support Activities Allocation[1]	127	10,954	121	12,181	-6	1,227
Total Mission	524	29,540	518	31,084	-6	1,544

---

[1] Includes the cost of support organizations plus space and equipment rents, telecommunications, postage, Federal Register printing, library materials and other overhead expenses.

PROGRAM SUMMARY

			PAGE 1 of 1
MISSION Maintaining Competition	PROGRAM NAME Market Power Matters	CODE DA	DATE 1/31/86

DESCRIPTION OF PROBLEM AREAS AND LONG-RANGE GOALS

A single firm with market power can reduce output and increase price, thereby injuring consumers and misallocating society's resources. Where the firm is protected by high entry barriers, these harms can persist for long periods. The long-range goal of the Market Power Program, therefore, is to prevent or remedy instances in which market power has been created, maintained, or enhanced through anticompetitive behavior and in which entry barriers exist that protect the anticompetitive results of firm conduct. Thus, the program is the primary vehicle within the Maintaining Competition Mission for identifying, analyzing, and prosecuting cases in which the dominant firms have engaged in anticompetitive practices in an attempt to acquire, maintain, or extend substantial and durable market power.

MAJOR OBJECTIVES AND STRATEGIES

A. OBJECTIVES

To curtail instances in which market power has been acquired, maintained, or extended through anticompetitive behavior. If this program is successful, it would result in reduced price, increased output, and a spur to innovation.

B. STRATEGIES

Strategies to be employed include identifying major industries where individual firms have unlawfully acquired, maintained, or extended their market power through anticompetitive behavior; investigating evidence of anticompetitive practices; developing a plan for eliminating or reducing such entry barriers as are identified; and enhancing the competitiveness of industries through consent decrees and litigation. In addition to case-by-case adjudication, this program seeks to accomplish its goals by appearances before administrative and adjudicative entities, reports to Congress, comments on proposed legislation, and general legal and economic analyses.

IMPACT STATEMENT

At this level, the program should provide resources for two to three matters involving monopolization or related offenses, intervention in one or two matters before governmental bodies for the purpose of reducing barriers to entry, and legal and economic analysis of market power issues.

RESOURCE SUMMARY	WORK-YEARS	DOLLARS ($000)
FISCAL 1986	12	$566
FISCAL 1987	12	575
CHANGE		9
% CHANGE		2%

FTC Form 46 rev. 1-81

PROGRAM SUMMARY

MISSION MAINTAINING COMPETITION	**PROGRAM NAME** MERGERS AND JOINT VENTURES	**CODE** DB	**PAGE** 1 of 1 **DATE** 1/31/86

DESCRIPTION OF PROBLEM AREA AND LONG-RANGE GOALS

Acquisitions, mergers, and, to some extent, joint ventures, may in some cases result in the lessening of actual or potential competition, and undue increases in economic power. Through elimination of competition, increased market concentration, or the growth of economic power, mergers and joint ventures can result in increased prices to consumers and limitations on selection of goods and services. In addition, mergers and joint ventures may increase barriers to entry or expansion, may foster interdependent conduct among firms, and may suppress competitive vitality at various levels of production and marketing. The long-range goals of the Commission in this program are:

(1) To increase opportunities for, or prevent barriers to, engaging in the manufacture or supply of goods and services;

(2) to maintain competitive markets in which prices for goods or services will be kept as low as possible through the unfettered forces of competition among firms with limited economic power; and

(3) to improve, or prevent reduction in, the quality and variety of goods and services that consumers receive at existing prices.

MAJOR OBJECTIVES AND STRATEGIES

The commission has three interrelated objectives in conducting its Mergers and Joint Ventures Program. First, the Commission seeks to monitor and screen all significant mergers and joint ventures. Second, those mergers and joint ventures which the screening process has targeted for further inquiry are investigated and analyzed for their likely effect on competition. Third, the Commission seeks to prevent those mergers and joint ventures which, after investigation and analysis, appear likely to lessen competition.

The dominant strategy to achieve the Commission's merger and joint venture screening objective will be continued reliance upon the information received under the Hart-Scott-Rodino premerger notification program and a weekly review of public announcements of business transactions. The second objective of this program will continue to rely upon all investigatory tools available to the Commission particularly "Requests For Additional Information" under the Hart-Scott-Rodino Act. Finally, to achieve its ultimate objective — the prevention of mergers or joint ventures which may substantially lessen competition — there will continue to be a significant reliance on the Commission's ability to obtain injunctive relief. In those instances where injunctive relief is inappropriate or unavailable the Commission will rely on its administrative remedial powers to seek to restore competition lost as the result of illegal acquisitions or joint ventures.

IMPACT STATEMENT

The proposed level of funding will provide for investigations and litigations (including injunction actions in federal court) concerning mergers and joint ventures involving: (a) horizontal competitors; (b) strong vertical (buyer-seller) relationships; and (c) substantial, clear-cut potential competition situations. While resource requirements vary significantly from case to case, on average a merger/joint venture investigation and litigation requires 2.5 professional workyears. Using this average, it is anticipated that funding at this level would result in approximately 30 investigations and 7 docketed matters.

RESOURCE SUMMARY	WORK-YEARS	DOLLARS ($000)
FISCAL 1986	93	$4,365
FISCAL 1987	93	4,448
CHANGE		83
% CHANGE		2%

FTC Form 46 rev. [illegible]

PROGRAM SUMMARY

PAGE 1 of 1

MISSION	PROGRAM NAME	CODE	DATE
MAINTAINING COMPETITION	HORIZONTAL RESTRAINTS	DC	1/31/86

DESCRIPTION OF PROBLEM AREA AND LONG-RANGE GOALS

Horizontal restraints, such as price-fixing and other varieties of anticompetitive behavior among direct competitors that violate the antitrust laws, generally lead to clear injury to consumers in the form of excessively high prices and a reduction in the quantity and quality of goods and services.

Horizontal restraints may take the form of collusive behavior, interdependent behavior that facilitates collusion, governmental restraints on competition and anticompetitive government procurement policies, and interlocking directorates between or among competitors. The general consequences of these practices may be to deny consumers and businesses access to the optimal variety, quantity, and quality of goods and services at competitive prices, and to deny sellers the opportunity to produce, distribute, and sell goods or services in the variety and quantity and at the prices that they would select under competitive conditions.

The goals of the Horizontal Restraints Program are to: (1) reduce the incidence of higher prices and diminished quality and quantity of goods and services resulting from horizontal restraints on competition; (2) increase the opportunities for businesses freely to engage in the manufacture, distribution, and sale of goods and services; and (3) limit the extent to which businesses and professionals are permitted to engage in anticompetitive or collusive activities under the aegis of regulation.

MAJOR OBJECTIVES AND STRATEGIES

The objectives of the Horizontal Restraints Program are:

(1) To detect, investigate, and prevent anticompetitive collusive or interdependent courses of action that facilitate collusion among competitors;

(2) To eliminate to the fullest extent possible governmental and private restraints that limit the right to engage in commercial competition; and

(3) To encourage the elimination of federal, state, and local governments' regulatory restrictions on competition and anticompetitive procurement practices.

The Commission plans to employ a strategy of investigation and litigation in pursuing these objectives. In addition, reports and comments to federal, state, and local government agencies and advisory opinions will be provided where appropriate.

IMPACT STATEMENT

The proposed resource level of activity in the Horizontal Restraints Program will permit the investigation and, if appropriate, litigation in 10-20 matters involving collusion among competitors, 8-10 matters involving possibly anticompetitive activities of trade associations or standards-setting organizations, 35-40 matters involving possible horizontal restraints under the aegis of governmental regulation, and possibly unlawful interlocking directorates and matters involving construction bid depositories' rules that may tamper with pricing mechanisms or create boycotts. This level of resources will permit a significant reduction in the incidence of collusive practices among competitors, in the potentially anticompetitive effects of commercial codes of trade associations and industry standards, and in the prevalence of governmental regulatory restraints on competition among commercial and professional competitors.

RESOURCE SUMMARY	WORK-YEARS	DOLLARS ($000)
FISCAL 1986	55	$2,527
FISCAL 1987	55	2,563
CHANGE		36
% CHANGE		1%

FTC Form 46

PROGRAM SUMMARY

PAGE
1 of 1

MISSION MAINTAINING COMPETITION	PROGRAM NAME DISTRIBUTIONAL RESTRAINTS	CODE DD	DATE 1/31/86

DESCRIPTION OF PROBLEM AREA AND LONG-RANGE GOALS

"Distributional restraints" is the term generally applied to anticompetitive practices that occur in the system of distributing goods from manufacturers to consumers. These practices include restrictions governing the resale prices (or other terms of sale) of goods; the practices may result from agreements between suppliers and purchasers or from the coercion of purchasers by sellers (or vice-versa). They also include discriminatory practices affecting price and similar elements of trade that may tend to injure consumers. The effects of these practices can be to limit sources of supply or channels of distribution, to restrict businesses' freedom to price their products, and to deny fair access to lower prices and promotional opportunities. Higher consumer prices and reduced consumer choice may result from distributional restraints.

The goal of the Distributional Restraints Program is to detect and remedy the coercive, collusive, discriminatory, and other harmful arrangements that may exist between sellers and purchasers and to restore competition and its benefits, including lower consumer prices and broader consumer choice.

MAJOR OBJECTIVES AND STRATEGIES

In its Distributional Restraints Program, the Commission seeks:

(1) To lower prices to consumers by preventing suppliers from forcing distributors or retailers to sell at prices higher than the distributors or retailers desire to charge;

(2) To eliminate discrimination in prices and promotional opportunities in favor of selected customers or classes of customers, where such discrimination may injure competition or consumers; and

(3) To prevent the foreclosure of distributors or dealers from sources of supply or access to customers through coercion or other restrictive practices.

The principal strategies used will be investigation and litigation. The issuance of guidelines and policy statements is also possible, as are advisory opinions and consumer and business outreach programs. This area may also be an appropriate subject for the Commission's competition advocacy program.

IMPACT STATEMENT

The Commission will be able to continue a number of investigations of vertical price-fixing and price discrimination and to develop cases of power-buyer inducement of distributional restraints. Moreover, the Commission can commence new matters involving vertical price-fixing, price discrimination, and other types of distributional restraints (such as tying and exclusive dealing). Resources will also be available for the competition advocacy efforts noted above.

RESOURCE SUMMARY	WORK-YEARS	DOLLARS ($000)
FISCAL 1986	30	$1,309
FISCAL 1987	30	1,330
CHANGE		21
% CHANGE		2%

FTC Form 48 [illegible]

PROGRAM SUMMARY

			PAGE 1 of 2
MISSION MAINTAINING COMPETITION	PROGRAM NAME COMPLIANCE	CODE EA	DATE 1/31/86

DESCRIPTION OF PROBLEM AREAS AND LONG-RANGE GOALS

The Commission's efforts to obtain orders prohibiting unfair methods of competition may be in vain unless those orders contain effective remedial provisions and unless the orders are strictly and uniformly enforced. The principal goals of the Compliance Division are to:

(1) ensure that competition orders contain remedial provisions that achieve their intended benefits to competition and consumers; and

(2) guarantee that respondents comply with these orders.

Noncompliance with a Commission order not only frustrates the corrective measure in the particular case but also undermines the effectiveness of all Commission orders. Noncompliance weakens the Commission's power to deter other respondents from violating Commission orders and nonrespondents from violating the laws enforced by the Commission.

In addition, the success of the Commission's premerger reporting program depends upon compliance with the reporting requirements of Section 7A of the Clayton Act and the Hart-Scott-Rodino regulations. Therefore, an additional goal of the Compliance Division is to ensure that firms subject to premerger reporting requirements comply with those requirements. Noncompliance with the premerger requirements may frustrate the Commission's ability to deter an illegal acquisition and undermines the effectiveness of the premerger reporting program. Noncompliance weakens the Commission's power to deter illegal acquisitions.

MAJOR OBJECTIVES AND STRATEGIES

OBJECTIVES

The objectives of the Compliance Division are:

(1) bring respondents into compliance with newly issued Commission divestiture orders and orders to cease and desist;

(2) detect violations of existing Commission cease and desist orders, divestiture orders, and premerger reporting requirements, secure significant civil penalties and equitable relief for violations, and obtain judicial enforcement of such orders and requirements;

(3) cause violators of Commission orders to repay consumers their damages from such violations, when appropriate;

(4) use existing Commission orders to attack and eliminate significant anticompetitive practices, such as price fixing, and thereby lower prices to consumers;

(5) improve the enforceability of Commission orders and the premerger reporting rules;

(6) monitor the consequences in the marketplace of Commission orders and develop remedies which are more effective in fostering competition and reducing prices to consumers; and

(7) review existing orders to ensure that they have no anticompetitive effects.

Success in achieving these objectives can be measured through reports demonstrating how respondents have complied with Commission orders and premerger reporting requirements, the number and significance of civil penalty investigations and complaints, and lower prices to consumers and consumer redress as a result of civil penalty judgments.

STRATEGIES

The strategies used to achieve these objectives are review and evaluation of compliance reports; comments on proposed orders; recommendations, and investigation where necessary, with respect to proposed acquisitions and divestitures; systematic checks of existing orders for violations; investigation of possible violations of orders or premerger reporting requirements, federal district court litigation seeking civil penalties and injunctive relief, and providing compliance advice to respondents.

RESOURCE SUMMARY	WORK-YEARS	DOLLARS ($000)
FISCAL 1986	22	$1,030
FISCAL 1987	22	1,047
CHANGE		17
% CHANGE		2%

FTC Form 46 rev. 5/80

PROGRAM SUMMARY (CONTINUED)

			PAGE 2 OF 2
MISSION MAINTAINING COMPETITION	PROGRAM NAME COMPLIANCE	CODE EA	DATE 1/31/86

IMPACT STATEMENT

At the proposed program level we expect to continue to maintain a high level of compliance with FTC competition orders and to continue activities to ensure that the orders are well designed to achieve their remedial purposes. To accomplish these goals we will continue a systematic review of orders to identify instances of noncompliance, and to recommend and prosecute civil penalty cases when we detect violations. We will continue to advise litigating offices on the enforceability of proposed new orders.

We also expect to continue to maintain a high level of compliance with the premerger reporting program, to ensure that the Commission always has the opportunity to review covered acquisitions before they are consummated.

In addition, we will continue the many non-discretionary activities for which we are responsible, and which are beyond our direct control, such as making recommendations to the Commission concerning petitions to reopen and modify orders, monitoring divestitures and proposed acquisitions, and reviewing initial and periodic compliance reports.

If this program is not approved, the usefulness of competition law enforcement by the Commission would be undermined seriously. Competition orders, and the threat that competition orders will be imposed, are useful only if respondents and potential respondents perceive that the Commission requires compliance with its orders and respondents will be subjected to significant penalties if they violate orders. Similarly, the usefulness of the Commission's merger law enforcement would be jeopardized if the premerger reporting program is not sustained. That program requires the public's perception that the Commission requires compliance. Elimination of the Compliance program obviously would erode the perception of the Commission's diligence in both areas. Moreover, because direct enforcement of orders is the largest discretionary activity within the program, any significant reduction in program resources necessarily would strike at the heart of this important function.

FTC Form 45 A (rev. 12/81)

PROGRAM SUMMARY

MISSION MAINTAINING COMPETITION	PROGRAM NAME PROGRAM EVALUATION, PLANNING & DEVELOPMENT	CODE ES	PAGE 1 of 2 DATE 1/31/86

DESCRIPTION OF PROBLEM AREA AND LONG-RANGE GOALS

A. Description of Problem Area

The purpose of the Evaluation, Planning, and Development Program generally is to aid the senior management of the Commission and the Bureau of Competition in carrying out the Maintaining Competition Mission in the most efficient manner possible. Careful evaluation of current activities and careful planning of future activities are both essential to maximize the benefits obtainable from the resources devoted to the Maintaining Competition Mission. In particular, resources allocated to the program are used to evaluate ongoing antitrust enforcement activity; coordinate Bureau of Competition efforts in competition advocacy before federal, state, and local legislative and regulatory bodies; plan, develop, and communicate enforcement policy positions based on evolving legal and economic theory; plan and develop beneficial enforcement initiatives based on economic and industry data; collect, maintain, and summarize management data on Bureau activities; and maintain necessary liaisons with other government entities.

B. Goals

(1) Concentrate Maintaining Competition resources on those investigations most likely to result in significant benefits to competition and consumers.

(2) Reduce the information gap that sometimes causes federal, state, and local legislative and regulatory bodies to make decisions that are inconsistent with competition and consumer welfare.

(3) Establish enforcement priorities based on evolving legal doctrines and economic knowledge, and reduce uncertainty in the business community concerning current policy positions.

(4) Enhance competition in industries and situations where consumers are harmed by market imperfections.

(5) Enable managers to reduce delays in Maintaining Competition activities and efficiently allocate assignments among personnel assigned to the Maintaining Competition mission.

(6) Enable efficient allocation of federal government antitrust enforcement resources.

(7) Contribute to government-wide goal of reducing unnecessary paperwork costs imposed on businesses by government.

MAJOR OBJECTIVES AND STRATEGIES

A. Objectives

(1) Identify investigations that are most likely to lead to significant consumer benefits, and base Maintaining Competition resource commitments accordingly.

(2) Assist federal, state, and local legislative and regulatory bodies in evaluating competition considerations as part of decision-making processes.

(3) Identify and understand developments in law and economics.

RESOURCE SUMMARY	WORK-YEARS	DOLLARS ($000)
FISCAL 1986	16	$731
FISCAL 1987	16	743
CHANGE		12
% CHANGE		2%

FTC Form 48 [illegible]

PROGRAM SUMMARY (CONTINUED)

			PAGE 2 OF 2
MISSION MAINTAINING COMPETITION	PROGRAM NAME PROGRAM EVALUATION, PLANNING, & DEVELOPMENT	CODE ES	DATE 1/31/86

(4) Identify industries and situations where the Bureau of Competition should focus its attention.

(5) Provide managers of the Maintaining Competition mission with sufficient, accurate, and timely information to permit effective management decisions.

(6) In conjunction with the Department of Justice Antitrust Division, assign specific matters to the agency best equipped to handle them in terms of expertise and experience.

(7) Ensure compliance with all requirements of the Paperwork Reduction Act.

B. Strategies

(1) Assign attorneys to analyze and comment on the legal and economic basis for every proposal for a major new antitrust investigation or other project.

(2) Coordinate and provide legal and economic analytical support for competition advocacy interventions before federal, state, and local legislative and regulatory bodies.

(3) Assign personnel to analyze and prepare policy papers on significant legal/economic issues affecting antitrust enforcement.

(4) Draft speeches and Congressional testimony addressing antitrust issues.

(5) Screen antitrust complaints submitted to the FTC for indications of market imperfections caused by antitrust violations.

(6) Review statistical sources, economic indicators, and trade press for indications of market imperfections caused by antitrust violations.

(7) Establish case generation task forces in areas in which enforcement activity may produce significant benefits for consumers.

(8) Collect timely data relating to current matters in the Maintaining Competition mission and add such data to permanent Management Information System database. Produce summary reports as needed for senior managers.

(9) Assign personnel to maintain regular liaison with counterpart(s) in DOJ Antitrust Division.

(10) Assign personnel to advise staff and maintain regular liaison with OMB to meet Paperwork Reduction Act responsibilities.

IMPACT STATEMENT

The Evaluation, Planning, and Development Program focuses on five areas: evaluation of current Bureau of Competition initiatives, coordination of Bureau activity in competition advocacy, development of new initiatives, planning for future Bureau activities, and management of the use of Bureau resources in ongoing matters. Aside from the competition advocacy activity -- which can result in very large benefits for consumers when other government entities are able to incorporate the Commission's advice in their decisions -- the impact of this program in the Maintaining Competition Mission is primarily indirect. That is, the relatively few resources devoted to this program are invested to increase the aggregate impact of the entire Maintaining Competition Mission. The evaluation, development, planning and management functions are crucial to most efficient utilization of the resources devoted to the Maintaining Competition Mission. Although elimination of the program could produce small short-run savings, it would result in proportionately much larger losses in the effectiveness of the overall mission.

PROGRAM SUMMARY

MISSION	PROGRAM NAME	CODE	PAGE 1 of 1
MAINTAINING COMPETITION	Other Direct Mission Resources	M10	DATE - 1/31/86

DESCRIPTION OF PROBLEM AREA AND LONG-RANGE GOALS

The Maintaining Competition Mission requires that the diverse goals of its substantive programs be coordinated in budgeting and administration through the efforts of the Director and Deputy Directors of the Bureau of Competition and the Bureau of Economics with the assistance of the Bureau Assistant Directors and the Regional Directors. The overall goal of this particular program is the efficient and carefully planned management of all the resources of the Commission's Maintaining Competition Mission.

MAJOR OBJECTIVES AND STRATEGIES

OBJECTIVES:

The objectives of this program are to:

(1) Provide sufficient personnel and funds to manage Bureau resources effectively; such administrative support is meant to attain the goals of the Maintaining Competition Mission effectively and economically; and

(2) Insure that appropriate records of Mission activities are maintained and that responses are made to proper inquiries, correspondence is processed expeditiously, and appropriate information on Maintaining Competition activities is furnished;

(3) Plan, evaluate, and select projects, and pursue their review, approval and funding by the Commission; and

(4) Administer Mission compliance with the Freedom of Information Act and the Privacy Act.

STRATEGIES

Relevant strategies include an increasing use of careful policy and budget analysis, realignment of personnel and organizations to assure the greatest possible efficiencies, and other application of management and administrative techniques.

IMPACT STATEMENT

The Bureau's management team will be able to provide overall supervisory control of all litigation, compliance, and allied divisions, including supervision of the Bureau of Economics' participation in the Mission's goals. In order to insure functional support for all the Bureau's substantive programs, this level will maintain day to day administrative direction and management.

Through the supervision of the Deputy Director for Administration and Management, the Regional Office component of this Program will be integrated as a share of the Bureau's overall management responsibilities.

RESOURCE SUMMARY	WORK-YEARS	DOLLARS ($000)
FISCAL 1986	20	$1,253
FISCAL 1987	20	1,274
CHANGE		11
% CHANGE		2%

FTC Form 48 (rev. 5/80)

CONSUMER PROTECTION MISSION
OVERVIEW STATEMENT

LONG-RANGE GOALS

The long-range goal of the Consumer Protection Mission is to improve market performance so that consumers can make informed purchase choices. The Consumer Protection Mission seeks to halt or prevent deceptive and unfair practices that thwart optimum market performance. The Mission also works to identify and correct instances where restrictions placed on products, markets, or occupations diminish consumers' ability to choose the goods and services that they desire.

MAJOR OBJECTIVES

The Consumer Protection Mission's major objectives are to:

(1) reduce marketplace restrictions that inflate prices and limit available goods and services without providing offsetting benefits;

(2) increase the usefulness of advertising by creating incentives for advertisers to make accurate claims;

(3) encourage sellers to provide necessary product information so that buyers can make informed choices from a wide variety of goods and services;

(4) reduce instances of fraudulent or deceptive sales and marketing practices;

(5) prevent creditors from using unlawful practices in the granting of credit, the maintenance of credit information, the collection of debts, and the operation of credit systems;

(6) enable buyers to realize their reasonable expectations concerning product reliability and performance and ensure that sellers honor warranties; and

(7) ensure compliance with Commission orders and Mission objectives.

SUMMARY OF PROGRAMS

The fiscal 1987 Consumer Protection Mission request includes 560 workyears and $33,359,000. These resources reflect a decrease of seven workyears in the mission's share of administrative support. The dollar increase of $1,698,000 will maintain the same direct enforcement activity levels between fiscal years.

Enforcement

The Enforcement program seeks to promote a free and competitive market in which consumers can obtain and make use of truthful purchasing information and benefit from fair market practices. The program will continue to enforce Commission orders to ensure that the desired objective is effected, previously found violations are corrected, and consumers receive the restitution they are entitled to. Activities to meet the enforcement and reporting responsibilities of rules and statutes will also continue. Enforcement actions will seek civil penalties, injunctions, and where economic loss has occurred, consumer redress, as sanctions against order and rule violators. Carryover enforcement investigations and litigation will continue under the Mail Order, R-Value, and Franchise Rules, as well as under other rules, as warranted. Under the Used Car, Care Labeling, and Funeral Rules, enforcement activities will include industry monitoring to determine potential violators and initiation of investigations where appropriate.

Marketing Practices

Activity in the Marketing Practices program is designed to identify, halt, and redress injury caused by unfair and deceptive practices in the marketing and sale of a variety of products and services to consumers and small businesses. The program also ensures that correct warranty information is disclosed to consumers prior to sale and that warranty promises are honored. Active participation by NAAG, consumer organizations, and industry associations to identify fraudulent acts and practices in the deceptive sales area will be encouraged. In addition, ongoing litigation will be continued or completed, and new investigations initiated in this and the product information area. The Commission's decisions on the Pre-Sale Availability, and Informal Dispute Settlement Rules will be implemented. The program will continue monitoring and enforcement activities, consumer education efforts, and initiating new actions involving warranty performance and the Magnuson-Moss Rules.

Advertising Practices

The goal of the Advertising Practices program is to reduce the number of unfair or deceptive product claims found in advertising, particularly for items that are costly, purchased infrequently, or difficult to evaluate. To achieve this, advertising monitoring in three crucial areas -- general advertising, food and drug advertising, and energy advertising -- will continue. New investigations will be initiated as warranted, and ongoing investigations and litigation will continue. Activities required by the Comprehensive Smoking Education Act will continue, and issues in the area of smokeless tobacco will be examined and appropriate action taken. The program will also continue to be active in the monitoring of children's advertising, and in operating the Energy Fraud Clearinghouse.

Credit Practices

The Commission will continue to pursue the goals of this program as defined by the Consumer Credit Protection Act. These include the reduction of consumer injury by ensuring equal access to credit on the basis of individual merit, promotion of price competition in the credit markets through the use of clear and simple credit cost disclosures, prevention of the use of unfair credit terms which restrict consumer rights, and prevention of the use of deceptive collection procedures. Activities will include an active industry and consumer education program, and, as appropriate, initiation of new investigations of credit card issuers, consumer loan companies, and credit bureaus' compliance with Fair Credit Reporting Act requirements in consumer disputes. Ongoing investigations and litigation involving consumer loan companies, mortgage lenders, automotive credit, and the line of credit program will continue. The Credit Practices Rule and the various credit statutes will also be enforced.

Service Industry Practices

The Commission's goal of reducing marketplace restrictions that are unnecessary and costly will be pursued through the Service Industry Practices program. The Commission's Eyeglasses II rulemaking will be completed. The program will continue its intervention before state and federal agencies on standards-related questions. Substantial assistance to state sunset commissions and others interested in the impact of occupational regulation on consumers will be provided. Investigations, litigation, and interventions will be continued or initiated, as appropriate, involving standards, regulation of professionals, nursing homes, advertising of professional services, and fraud and deception in the promotion of alternative investments and career counseling.

Program Management

This program provides for management of the Mission's resources. Economic and legal analyses of proposed investigations and cases will continue to be provided. All Commission actions will be supported by sound regulatory analyses. Regulatory Flexibility Act and rulemaking studies will be conducted in appropriate areas. Emphasis will be placed on supervision and the improvement of management at all levels of the Consumer Protection Mission.

FISCAL 1987 BUDGET REQUEST
(dollars in thousands)

Mission: Consumer Protection

Program Description	Fiscal 1986		Fiscal 1987		Change	
	Wkyrs	Amount	Wkyrs	Amount	Wkyrs	Amount
Enforcement	96	$4,249	96	$4,323	...	$74
Marketing Practices	79	3,544	79	3,602	...	58
Advertising Practices	70	3,136	70	3,190	...	54
Credit Practices	76	3,378	76	3,434	...	56
Service Industry Practices	71	3,086	71	3,140	...	54
Program Management	38	2,416	38	2,456	...	40
Total Direct Mission	430	19,809	430	20,145	...	336
Support Activities Allocation[1]	137	11,852	130	13,214	-7	1,362
Total Mission	567	31,661	560	33,359	-7	1,698

---

[1] Includes the cost of support organizations plus space and equipment rents, telecommunications, postage, Federal Register printing, library materials and other overhead expenses.

PROGRAM SUMMARY

MISSION CONSUMER PROTECTION	PROGRAM NAME ENFORCEMENT	CODE	PAGE 1 of 2 DATE 1/31/86

DESCRIPTION OF PROBLEM AREA AND LONG-RANGE GOALS

A major aspect of this program is enforcement of cease and desist orders that the Commission issues to stop fraudulent business practices or to rectify a disfunctioning marketplace. Careful compliance monitoring ensures that consumers benefit from these orders. Orders are not always obeyed, however, and the Commission often recommends that the Department of Justice file an action for civil penalties, consumer redress, or other equitable relief. The Enforcement program enforces the orders to ensure that the desired objective is effected and that previously found violations are corrected, and that consumers receive the restitution that they are entitled to. The main goals of order enforcement are to promote a free and competitive market in which consumers can obtain and make use of truthful purchasing information and benefit from fair market practices.

The Enforcement program continues to seek cash refunds or product repair/replacement for consumers pursuant to recently issued orders. Especially prominent among restitution orders were land sales and automobile repairs, two of the most persistent problem areas for consumers. One of the most successful actions has been the General Motors case which provides millions of car owners the opportunity to resolve their car problems through the National Council of Better Business Bureaus sponsored mediation and arbitration program.

Problems arise when consumers cannot assess or compare the value of goods because they do not have essential information about the product, service or the method of distribution, e.g., goods that are inaccurately or incomprehensively labeled and mail order purchases. To obtain value for resources spent is exceptionally important in any basic and/or non-repeat purchase, such as an appliance, a franchise, a house, a used car, clothing, or a funeral. The goals of the rules portion of the program are to: (1) provide essential information to consumers for making value comparisons of packaged and labeled commodities; (2) prevent or redress economic injury to consumers resulting from failure to disclose material product information; (3) disclose essential prepurchase information to consumers and provide for redress, as appropriate, for injuries resulting from past purchases of franchises, insulation products, funerals, used cars, and purchases by mail or door-to-door sellers.

These problems and related goals are addressed by this program, which enforces the Bureau's non-credit rules and statutes, including the Mail Order Rule, Used Car Rule, the Care Labeling Rule, the Franchise Rule, the Fair Packaging and Labeling Act, the Appliance Labeling Rule, the R-Value Rule, the Octane Posting Rule, the Cooling-Off Rule, the Funeral Rule, the Hobby Protection Act, and the Textile, Wool and Fur Labeling Acts. Compliance with the disclosure requirements and other requirements of these rules and statutes protects consumers and encourages fair competition.

RESOURCE SUMMARY	WORK-YEARS	DOLLARS (000)
FISCAL 1986	96	$4,249
FISCAL 1987	96	4,323
CHANGE	·	74
% CHANGE		2%

FTC Form 48 [illegible]

PROGRAM SUMMARY (CONTINUED)

MISSION CONSUMER PROTECTION	PROGRAM NAME ENFORCEMENT	CODE	PAGE 2 OF 2 DATE 1/31/86

MAJOR OBJECTIVES AND STRATEGIES

The major objectives of this program as to order enforcement are to:

(1) promote and encourage business conduct consistent with Commission orders;

(2) ensure that orders requiring consumer redress are fully obeyed;

(3) remedy consumer loss and obtain civil penalties for order violations;

(4) monitor and advise the Commission of the enforceability of order provisions and effectiveness of our remedies; and

(5) alter, modify or set aside existing orders where there exist changed conditions of law or fact.

The major objectives of this program as to rules are to:

(1) provide consumers with essential information related to products or services so that consumers can make informed buying decisions;

(2) discourage deceptive, high-pressure or fraudulent sales tactics;

(3) reduce consumer search costs; and

(4) discourage packaging and labeling techniques that cause consumers to make false value comparisons or care for products in a manner that might create damage.

Strategies to achieve these objectives include investigations, periodic compliance review, analysis of remedies and, when necessary, civil penalties, injunctions, or consumer redress. Our strategies also include consumer education, interpretation and guidance for affected industries to encourage compliance, and coordination with Congress, other federal agencise and the states.

IMPACT STATEMENT

Under the funded resources, we will meet the established goals of the order enforcement program to: (1) review and process initial and supplemental reports of compliance; (2) ensure all redress and third-party dispute resolution matters are in full compliance; (3) process all petitions for modifications; (4) review all consumer protection proposed orders and pleadings; (5) bring several civil penalty actions against respondents under order for serious violations; and (6) review existing orders with the view of recommending modification or vacating of those provisions that no longer serve the purpose intended or constitute unnecessary compliance burden.

With regard to enforcement of rules and statutes, activity to meet statutory enforcement and reporting responsibilities can continue. Carryover enforcement investigations and litigation for civil penalties and/or consumer redress will continue under the Mail Order, R-Value, and Franchise Rules, as well as under other rules, as warranted. Under the Used Car and Care Labeling Rules, these resources will permit us to monitor the industry to determine potential violators and to commence investigations where appropriate. For the Funeral Rule, these resources will permit us to commence investigations of potential violations and begin to gather information for the mandatory review of the Rule.

FTC Form 48 A (rev. 12/81)

PROGRAM SUMMARY

MISSION CONSUMER PROTECTION	PROGRAM NAME MARKETING PRACTICES	CODE	PAGE 1 of 2
			DATE 1/31/86

DESCRIPTION OF PROBLEM AREA AND LONG-RANGE GOALS

Activity in this program is designed to identify, halt, and redress injury caused by unfair and deceptive practices in the marketing and sale of a variety of products and services to consumers and small businesses. The program also ensures that correct warranty information is disclosed to consumers prior to sale and that warranty promises are honored.

Marketing and sales problems include the purchase of worthless goods and services, or purchases that would not otherwise have been made based on oral and written misrepresentations or on failure to disclose material information during sales transactions. These practices occur in a variety of transactions where consumers do not make repeat purchases, lack adequate information, and have little opportunity to verify representations made by sellers. In addition, many sellers who engage in such practices move quickly from state to state or change corporate identities frequently, making corrective action by individual consumers unworkable.

This program also focuses on the market's failure to generate essential information about expensive consumer products or services, and "use-and-care" information which would permit owners to properly care for their products and to use them without risk of harm to health or safety.

Warranty performance problems consistently rank among the top areas of consumer complaints received by the Commission. Many of the complaints focus on the repair of defects in major appliances, especially newly marketed products, and automobiles, although complaints are received on a wide variety of products. The cost of these repairs can amount to hundreds of millions of dollars each year. The high cost of warranty performance on expensive and infrequently purchased products may create an incentive to some firms to avoid performance on warranties or to perform warranty obligations inadequately. Because warranty performance disputes frequently may arise as a result of incomplete dissemination of warranty information to consumers, the program seeks to facilitate the dissemination of warranty information to consumers.

Consumers frequently lack practical recourse in cases of breach of warranty. The high costs of securing legal assistance may preclude consumers from resorting to judicial remedies in all but the most extraordinary cases of warranty non-performance. Through its informal consumer dispute mechanism activity this program seeks to promote the use of efficient informal dispute resolution mechanisms outside the framework of the court system.

The goals of this program are to: arrest false and deceptive sales practices; where practicable, obtain redress for victims of fraud, deception, and misrepresentation; improve the availability to consumers of information that will enable them to make informed purchase, repair and maintenance decisions; enable consumers to minimize economic loss due to manufacturers' failure to disclose material information about their products; ensure that warranty promises are honored; facilitate the resolution of consumer product and housing disputes as quickly and fairly as possible; and facilitate informed consumer choice by making warranty information available to consumers prior to purchase.

RESOURCE SUMMARY	WORK-YEARS	DOLLARS (\$000)
FISCAL 1986	79	$3,544
FISCAL 1987	79	3,602
CHANGE		58
% CHANGE		.2%

FTC Form 46 (rev. 5/80)

PROGRAM SUMMARY (CONTINUED)

MISSION CONSUMER PROTECTION	PROGRAM NAME MARKETING PRACTICES	CODE	PAGE 2 OF 2 DATE 1/31/86

MAJOR OBJECTIVES AND STRATEGIES

The major objectives of this program are to:

(1) prevent firms and individuals from using false and deceptive representations to market timeshare programs, business opportunities, foreclosure services, computer-related equipment, and other goods and services;

(2) reduce consumer losses when such practices occur, by obtaining redress for those affected;

(3) provide consumers with essential information related to product or service use, so that consumers can make informed buying, maintenance and repair decisions and avoid losses resulting from undisclosed product or service inadequacies, special characteristics, or health or safety risks;

(4) reduce consumer loss by obtaining redress for consumers who are harmed by false and deceptive representations and by failure to disclose product inadequacies, limitations or health or safety risks;

(5) ensure that comprehensible information about warranty coverage is available to consumers prior to sale, as required by federal law or by FTC rules;

(6) ensure that affected industries are fully informed about requirements of the Magnuson-Moss Warranty Act and applicable FTC rules;

(7) ensure that warranty promises made to consumers in housing and other major consumer purchases are performed in an adequate and timely manner; and

(8) encourage the growth of programs designed to resolve consumer product disputes in a fair and expeditious manner.

Strategies to obtain these objectives include: consumer and industry education efforts, including assistance to industries in drafting readable warranties; investigations and administrative and federal court litigation; rulemaking and rule enforcement action, if appropriate; and coordination with other federal, state and local agencies.

IMPACT STATEMENT

This level of funding will permit staff to work with NAAG, consumer organizations, and industry associations to identify fraudulent practices in the deceptive sales area. Staff would seek to enjoin fraudulent acts and practices where injury to the public is ongoing, and to seek restitution or other relief for those affected by these practices. An appeal to the Commission and a response to an appeal of a Commission decision in two existing litigation matters in the product information area would be prepared, if appropriate. Funding would also be available to complete litigation, if appropriate, of three matters under investigation which involve significant loss to consumers. Funding would further be available to continue any matters in litigation, and would permit the examination of new investigative targets in the deceptive sales and product information areas.

Resources would be available to implement the Commission decisions on and to monitor compliance with the Pre-Sale Availability and Informal Dispute Settlement Rules. In addition, staff would evaluate dispute resolution mechanisms that obtained exemptions from the Informal Dispute Settlement Rule. Funding would also permit responses to requests for advice, interpretations and some consumer and industry education pertaining to the remaining Magnuson-Moss Warranty Act rules. Carry-over warranty performance cases would be continued and completed. Resources would be available to conduct industry and consumer education concerning the Pre-Sale Availability Rule, and the Guides Against Deceptive Advertising of Guarantees. Funding would permit the program to continue monitoring and enforcement activities and to initiate litigation against companies that do not honor their warranties.

FTC Form 65 A (rev. 12/81)

PROGRAM SUMMARY

			PAGE 1 of 1
MISSION CONSUMER PROTECTION	PROGRAM NAME ADVERTISING PRACTICES	CODE	DATE 1/31/86

DESCRIPTION OF PROBLEM AREA AND LONG-RANGE GOALS

Advertising is a major, and often predominant, source of consumer information regarding products and services. Although advertisements often convey useful, accurate product information, they can also make deceptive product claims. Such claims may affect a substantial number of purchase decisions and, where market forces are unlikely to remedy the situation, significant consumer injury is likely.

Consumers often have difficulty evaluating food and over-the-counter drug advertising claims, as well as energy-saving claims, even after they use the product. With food and drug claims, advertisements may be deceptive because they provide incomplete or inaccurate information concerning the product's health effects. With energy claims, because many of the products are expensive and infrequently purchased, special Commission attention is warranted.

The goal of this program is to reduce the number of unfair or deceptive product claims found in advertising, especially for items that are costly, purchased infrequently, or difficult to evaluate.

MAJOR OBJECTIVES AND STRATEGIES

The major objectives of this program are to:

(1) prevent advertisers from using unfair or deceptive advertising claims and techniques;

(2) ensure that advertisers possess and rely on adequate substantiation for their claims;

(3) require advertisers to disclose health risks and other information where their omission is likely to deceive consumers and result in injury; and

(4) provide Congress with annual reports on cigarette consumption, advertising and marketing trends, and help consumers find accurate information on tar, nicotine and carbon monoxide levels in cigarettes.

The strategies to achieve these objectives include ad monitoring, consent orders, litigation, Section 5(m)(1)(B) actions, consumer education, and coordination with Congress, affected industries, consumer groups, the states, and other federal agencies. Staff applies the advertising protocol and other policy analyses to determine the appropriate strategy to be followed.

IMPACT STATEMENT

At this funding level, ongoing investigation and law enforcement actions would be continued. The crucial advertising monitoring activities (which encompass three areas - General Advertising, Food & Drug Advertising and Energy Advertising) would be continued, and selected follow-up law enforcement actions could be undertaken. Resources would continue to be devoted to specific program areas of longstanding Commission involvement. For example, activities required by the Comprehensive Smoking Education Act would continue, smokeless tobacco issues would be examined, and litigation concerning cigarette testing methodology would be conducted, as appropriate. Staff would also monitor children's advertising and bring law enforcement actions, if appropriate, and would continue to operate the Energy Fraud Clearinghouse.

RESOURCE SUMMARY	WORK-YEARS	DOLLARS ($000)
FISCAL 1986	70	$3,136
FISCAL 1987	70	3,190
CHANGE		54
% CHANGE		2%

FTC Form 48 [illegible]

PROGRAM SUMMARY

PAGE 1 of 2

MISSION	PROGRAM NAME	CODE	DATE
CONSUMER PROTECTION	CREDIT PRACTICES		1/31/86

DESCRIPTION OF PROBLEM AREA AND LONG RANGE GOALS

Credit has become an integral part of the American economic system. Few consumers purchase such major items as a house or a car for cash, and many now rely on credit to purchase everything from personal effects to a college education. The size of the consumer credit industry (477 billion dollars in outstanding consumer installment credit, not including residential mortgage loans) and its importance to both the economy and the individual have caused Congress and the Commission to be concerned about problems that arise in connection with the availability and terms of credit, the resolution of credit billing disputes, the privacy implications of maintaining consumer credit data banks and the methods used by creditors and debt collectors to collect obligations in default. Consumers suffer economic loss when they are denied credit for unlawful reasons, such as sex, age or race. Consumer injury also occurs when consumers are subject to faulty computerized billing procedures or abusive collection tactics by creditors and debt collectors.

The goals of this program are to reduce consumer injury by ensuring equal access to credit on the basis of individual merit, by promoting price competition in the credit markets through the use of clear and simple credit cost disclosures, by preventing the use of unfair credit terms which restrict consumer rights and jeopardize their financial stability, and by preventing the use of deceptive collection procedures. A major component of the credit program is aimed at policing deceptive credit practices and determining if they cause serious consumer injury.

MAJOR OBJECTIVES AND STRATEGIES

The major objectives of this program, are to:

(1) ensure that consumers have accurate and understandable disclosure of costs and conditions in credit, lease and debit transactions at the time of the transaction and in advertising;

(2) ensure that creditors evaluate credit applicants on the basis of their willingness and ability to repay without regard to unlawful discriminatory factors;

(3) ensure that consumer reporting agencies maintain adequate controls on the accuracy of their reports, restrict access to consumer information to appropriate parties with a lawful purpose and provide consumers with a meaningful opportunity to correct erroneous information in their credit files;

(4) ensure that consumer credit contracts do not contain clauses that would prevent consumers from asserting their claims or defenses against the lender;

(5) ensure that creditors establish and follow statutory and Federal Reserve Board-prescribed procedures for resolving credit and debit billing disputes and that consumers are given meaningful notice of these procedures; and

(6) ensure that debt collection agencies abstain from engaging in unfair and deceptive debt collection practices.

RESOURCE SUMMARY	WORK-YEARS	DOLLARS ($000)
FISCAL 1986	76	$3,378
FISCAL 1987	76	3,434
CHANGE		56
% CHANGE		2%

PROGRAM SUMMARY (CONTINUED)

MISSION	PROGRAM NAME	CODE	PAGE 2 OF 2
CONSUMER PROTECTION	CREDIT PRACTICES		DATE 7/31/86

MAJOR OBJECTIVES AND STRATEGIES (Continued)

The principal strategies for achieving these objectives include: enforcement actions seeking civil penalties, consumer redress, restitution and injunctions to correct unlawful conduct; extensive educational efforts directed at industry and consumers to promote voluntary industry compliance and inform consumers of their rights provided under these statutes; cooperative efforts with state and local agencies; and cooperative efforts with other federal agencies to ensure consistent enforcement policy among all segments of the credit market.

IMPACT STATEMENT

Resources at this level would fund all carryover enforcement investigations, an active industry and consumer education program and new initiatives. In the General Credit area, resources would go to informal enforcement and ongoing litigation associated with the Fair Debt Collection Practices Act, the rules, and investigations regarding credit counselors' deceptive practices. In the Equal Credit Opportunity Act area, we would complete ongoing litigation involving consumer loan companies and mortgage lenders, and we would also initiate new investigations of credit card issuers and consumer loan companies, if appropriate. The major Truth in Lending matters, including enforcement efforts involving advertising of home mortgages and automotive credit, would continue, as well as investigations of the line of credit program. Under the Fair Credit Reporting Act (FCRA) we would continue enforcement of the Act's notification requirements (§615) and our regulatory review of the statute. We would initiate investigations regarding credit bureaus' compliance with FCRA requirements when consumers dispute the accuracy of information in their files and litigate one injunction case, if appropriate.

PROGRAM SUMMARY

MISSION CONSUMER PROTECTION	PROGRAM NAME SERVICE INDUSTRY PRACTICES	CODE	PAGE 1 of 2 DATE 1/31/86

DESCRIPTION OF PROBLEM AREA AND LONG-RANGE GOALS

Although private product standards and seals of approval help to make our complex economic system function efficiently, some standards may at times distort the market and result in more expensive, less efficient, unsafe, or unreliable products. These market distortions are thought to occur in areas involving energy consumption, hospital costs, construction costs, fire hazards, and workplace health and safety risks. In some cases the standards development process may have been manipulated by established firms at the expense of consumers or small, innovative producers.

The delivery of professional services is often extensively regulated by both the states and the professions. Much of this regulation protects the public by ensuring the quality of service. However, some regulations impose significant costs on consumers but provide little or no corresponding benefit. These regulations restrict competition, keep prices artificially high, and discourage innovation. Examples of possible unnecessary regulation include: (1) restrictions on business structures and forms of ownership of provider firms; (2) restrictions on direct price competition; (3) restrictions that unduly limit entry; and (4) restrictions that unduly limit the information that may be communicated to consumers.

When consumers are unable to judge the appropriate level of price and quality for goods and services they need, they may be exploited by sellers who use deceptive sales tactics or who withhold material information. For example, consumers annually spend as much as $500 million on alternatives to more traditional but relatively low yield investments. A large part of the sales for two such investment alternatives -- oil and gas leases and precious gemstones sold as investments -- may be based on fraud and misrepresentations. Another example can be found in the advertising for bogus medical procedures. Such ads may seem credible to certain consumers because the advertiser is a physician or health care professional and because the consumer is unable to obtain the information necessary to evaluate the effectiveness of such procedures.

The goals of this program are to facilitate informed consumer choice and increase the availability of less expensive, safe and reliable services and products that consumers desire; facilitate fair competitive opportunities for smaller manufacturers in the standard-setting process; and reduce consumer losses based on false or misleading information.

MAJOR OBJECTIVES AND STRATEGIES

The major objectives of this program are to:

(1) reduce consumer loss by reducing the extent to which the standard-making process is used by its participants to disadvantage competitors;

(2) assist federal, state, and local governments as they consider the consumer and competitive effects of the use of standards and seals for regulatory and procurement purposes;

(3) review public and private regulations that may cause artificially high prices and limit the availability of goods and services without providing corresponding consumer benefits;

RESOURCE SUMMARY	WORK YEARS	DOLLARS ($000)
FISCAL 1986	71	$3,086
FISCAL 1987	71	3,140
CHANGE		54
% CHANGE		2%

FTC Form 48 [illegible]

PROGRAM SUMMARY (CONTINUED)

MISSION	PROGRAM NAME	CODE	PAGE 2 OF 2 DATE
CONSUMER PROTECTION	SERVICE INDUSTRY PRACTICES		1/31/86

MAJOR OBJECTIVES AND STRATEGIES (continued)

(4) provide consumers with more objective information concerning the availability and costs of goods and services supplied by professionals; and

(5) reduce consumer loss by reducing the extent to which false and misleading information is disseminated to prospective purchasers of investments and professional services.

Strategies to obtain these objectives include consumer and industry education; consultation and coordination with Congress, the states, and other federal agencies; participation in federal and state agency proceedings, where appropriate; administrative and federal court litigation; and rulemaking, if appropriate.

IMPACT STATEMENT

The Eyeglasses II Rulemaking proceeding would be completed. Standards-related cases begun in Fiscal 1985 and 1986 would be pursued or completed as appropriate. Interventions before state and federal agencies on standards-related questions would proceed, and FTC participation in interagency standards-related activities would continue. Investigations, administrative cases, reports, and other approaches to eliminating unnecessary regulation of professionals, including ophthalmic retailers, dentists, and others, would proceed. Substantial assistance to state sunset commissions and others interested in the impact of occupational regulation on consumers would be provided. Investigations, administrative cases, and interventions would be undertaken, as appropriate, to deal with consumer and competition problems identified in the area of prepaid services. Finally, cases challenging fraud and deception in the promotion of "alternative" investments, and the advertising of professional services, begun in Fiscal 1985 and 1986, would proceed and new cases and investigations would be initiated.

PROGRAM SUMMARY

MISSION CONSUMER PROTECTION	PROGRAM NAME PROGRAM MANAGEMENT	CODE	PAGE 1 of 2 DATE 1/31/86

DESCRIPTION OF PROBLEM AREA AND LONG RANGE GOALS

The Consumer Protection Mission has three major goals:

(1) removing private and public restrictions that unnecessarily limit the range of available goods and services;
(2) encouraging reliable information to reduce search costs and permit rational marketplace decisionmaking; and
(3) correcting practices that impede consumer choice in the marketplace.

Achieving these goals requires a thorough understanding of consumer and industry behavior. In addition, various analyses have been mandated by Congress. The Magnuson-Moss Act, Title II, requires that the total effect of any regulation be evaluated to determine whether it is in the public interest. The FTC Act amendments require preliminary and final regulatory analyses, and the Regulatory Flexibility Act requires reassessments of the impact of promulgated rules. This program ensures that Commission regulations deliver benefits that exceed their costs and perform in the most effective manner.

This program also provides administrative and managerial support to more than 400 professional and clerical employees in 15 operating units, including the regional offices.

The management and administrative activities of the Mission are designed to improve the effectiveness and efficiency of its substantive programs and to increase staff productivity. These activities include:

(1) monitoring and reviewing all substantive initiatives;
(2) managing human resources, and providing administrative support to ensure that adequate resources are available; and
(3) managing headquarters and regional office consumer and business education resources and activities.

MAJOR OBJECTIVES AND STRATEGIES

The major objectives of this program as to regulatory analysis are to:

(1) integrate economic, consumer behavior, and marketing knowledge into investigations and adjudicative proceedings so that the cases pursued and remedies chosen yield the best possible results, augmenting market incentives and resulting in practical, beneficial results without unintended or adverse consequences;

(2) develop and manage impact evaluations to determine the actual effects of rules;

(3) develop and manage regulatory analysis to ensure that regulation costs are acceptable relative to the benefits.

The strategy to achieve these objectives requires a regulatory analysis team possessing diverse training and experience, including economists, market researchers, and statisticians. They participate in and provide support to each major effort, and develop and supervise impact evaluations.

RESOURCE SUMMARY	WORK-YEARS	DOLLARS ($000)
FISCAL 1986	38	$2,416
FISCAL 1987	38	2,456
CHANGE		60
% CHANGE		3%

FTC Form 48 [illegible]

PROGRAM SUMMARY (CONTINUED)

MISSION CONSUMER PROTECTION	PROGRAM NAME PROGRAM MANAGEMENT	CODE	PAGE 2 OF 2 DATE 1/31/86

The major objectives of this program as to administration and management are to:

(1) increase the effectiveness and responsiveness of the consumer protection program through review of the management, progress, and output of all substantive initiatives;

(2) ensure consistency of case work and programs through coordination between regional office and headquarters;

(3) conduct periodic reviews of the organization, workload, and productivity of operating units;

(4) integrate planning with program budgeting;

(5) provide administrative support to operating units;

(6) provide information about major Commission actions to consumer and business opinion leaders to assist them in informing their constituencies; and

(7) provide information about major Commission actions to consumers and business owners so that they can make informed choices.

IMPACT STATEMENT

Activities for fiscal 1987 will include: continuing economic and legal analyses of all major Consumer Protection Mission actions to ensure that benefits exceed costs; studying the impact of Consumer Protection Mission actions on the marketplace; and managing and administering consumer and business education efforts and substantive law enforcement activities.

ECONOMIC ACTIVITIES MISSION
OVERVIEW

LONG-RANGE GOALS

The Economic Activities Mission guides and supports the Commission's Competition and Consumer Protection efforts in both policy development and matter selection and analysis. The long-range goal of the Mission is to promote a more efficient and productive economy by strengthening market competition and reducing burdensome regulation. To achieve its long-range goal the Mission: 1) provides economic analysis for antitrust and consumer protection investigations, cases, and rulemakings; 2) advises the Commission on the impact of governmental regulation on competition and consumers in various industries; and 3) develops special reports on competition, consumer protection, and regulatory issues of particular interest to the Commission.

MAJOR OBJECTIVES

Section 6(a) of the Federal Trade Commission Act empowers the agency to "gather and compile information concerning, and to investigate from time to time the organization, business, conduct, practices, and management of any corporation engaged in commerce, ... and its relation to other corporations and to individuals, associations, and partnerships." Section 6(f) of the Act further directs the agency to "make public from time to time such portions of the information obtained by it hereunder, ... and to make annual and special reports to the Congress, ... and to provide for the publication of its reports and decisions in such form and manner as may be best adapted for public information and use." Within the framework of this authorizing legislation, and to further the achievement of long-range goals, the major objectives of the Economic Activities Mission are:

1. To provide the Commission, the President, the Congress, and the general public with economic analyses of consumer protection, antitrust, and regulatory issues.

2. To assist the Commission in assessing the antitrust and consumer protection measures it should take to strengthen competition and enhance consumer well-being.

3. To analyze the economic benefits and costs of alternative consumer protection, antitrust, and deregulatory actions.

4. To inform the President, Congress, and the public of the nature and extent of competition, market power, and market failure in the American economy.

SUMMARY OF PROGRAMS

The Economic Activities Mission request includes 76 workyears and $4,602,000. These resources reflect a decrease of one workyear in the mission's share of administrative support. The dollar increase of $303,000 will maintain the same direct mission activity levels between fiscal years.

ECONOMIC AND CONSUMER POLICY ANALYSIS

In order to further our knowledge and understanding of situations in which consumer protection measures may increase consumer well-being, of the proper role of government regulation in advancing a competitively functioning economy, and of the special problems faced by small businesses, Bureau of Economics staff will undertake or complete several studies. Areas of particular interest in fiscal 1987 include:

- Product quality problems in consumer markets
- Competitive or regulatory problems of small businesses
- The market for life care homes and other extended care options for the elderly
- Regulation and competition in health care markets.

ANTITRUST POLICY ANALYSIS

In order to increase our knowledge and understanding of those market situations in which antitrust action will result in a more competitively functioning economy, Bureau of Economics staff will undertake or complete several projects or studies, including work in the following areas:

- Use of stock market data to evaluate the competitive effects of proposed mergers
- Determinants and impacts of conglomerate mergers, takeovers, and sell-offs
- The use of litigation for competitive purposes

- Efficiency versus concentration arguments as explainers of superior firm performance
- Analysis of the causes and consequences of vertical integration
- Conduct and performance effects of corporate diversification
- Relationship between rate of return on investment and market share.

OTHER DIRECT MISSION

Resources allocated to this program will continue to provide the basis for direction of Bureau activities, coordination of efforts with the Maintaining Competition and Consumer Protection Missions, and full utilization of available resources to achieve Bureau objectives. Objectives of the program are development and utilization of professional staff skills and experience, improved administrative support, increased communication with other offices, and easier access to information sources and other research tools.

PROGRAM SUMMARY

MISSION Economic Activities	PROGRAM NAME Economic and Consumer Policy Analysis	CODE F07	PAGE 1 of 1 DATE 1/31/86

DESCRIPTION OF PROBLEM AREA AND LONG-RANGE GOALS

Government regulatory and consumer protection policy can have a significant impact on consumer welfare. The development of sound policy requires an understanding of the effects of past or prospective government action and of the industries or markets which are or would be affected by these actions. Such an understanding can be advanced by several types of economic analysis. Studies analyzing particular government policies can provide valuable insight into both the intended and the unintended effects of these policies on consumer well being. Analyses of the conduct and performance of particular industries can provide insight into special factors which may be causing consumer problems and whether such problems might be efficiently remedied to increase consumer welfare.

The long-range goal of this decision unit is to provide the President, Congress, the Commission, its staff, and the general public with analyses of the impact of government regulatory actions, analyses of consumer issues related to the Commission's Consumer Protection Mission, regulatory impacts, and analyses of problems faced by small businesses. These analyses will examine particular industries where problems may exist, particular government policies which may be causing competitive problems, and particular factors and practices affecting consumer welfare.

MAJOR OBJECTIVES AND STRATEGIES

The major objectives of the consumer policy analysis program are to: 1) increase our knowledge about those situations in which consumer protection action will increase consumer well being; 2) further the understanding of the role of government regulation in advancing or retarding a competitively functioning economy; and 3) advance our understanding of the special problems faced by small businesses.

The strategies that will be followed for this program include: 1) conducting economic studies of specific industries to determine where and when consumer protection activity may be appropriate; 2) taking advantage of the unique opportunities offered by the Commission's rich existing statistical sources, including Line of Business data, Corporate Patterns data, Quarterly Financial Report data, and other firm and industry data sets to analyze economic and regulatory effects; 3) conducting original research into the effects of various government regulations; 4) collecting and publishing data and other information that relates directly to the Commission's missions; 5) performing applied analyses drawing extensively on research already done by others to advise policymakers on specific policy decisions; 6) conducting analyses of problems encountered by small business firms; 7) presenting the findings of these analyses to the Commission and to FTC staff; 8) providing economic advice to Commissioners in adjudicatory proceedings; and 9) providing information to the President, the Congress, and the general public in reports, testimony, invited commentary, and other means as appropriate.

IMPACT STATEMENT

This level of activity will permit us to continue to contribute to Inter-bureau Task Forces. We will also continue to provide support to Commissioners in adjudicatory proceedings. In addition, we will be able to complete ongoing economic investigations in a number of important areas. A primary focus of this work continues to be factors that affect consumer welfare in markets. Three studies dealing with problems of consumer information, product quality issues, regulation or advertising will be started. One study focusing on the problems of small business will also begin.

RESOURCE SUMMARY	WORK-YEARS	DOLLARS ($000)
FISCAL 1986	19	$931
FISCAL 1987	19	942
CHANGE		11
% CHANGE		1%

FTC Form 48 rev. [illegible]

PROGRAM SUMMARY

MISSION Economic Activities	PROGRAM NAME Antitrust Policy Analysis	CODE F08	PAGE 1 of 1 DATE 1/31/86

DESCRIPTION OF PROBLEM AREA AND LONG-RANGE GOALS

Government policy directed to maintaining competition policy can have important effects on market performance. The development of sound policy requires a firm appreciation for the effects of past and prospective antitrust actions and of the industries and markets that are or would be-affected by these actions. Several types of economic analysis can advance such an understanding. Studies of particular antitrust policies can provide valuable insight into the competitive functioning of the market. Analyses of the organization and behavior of particular industries can help to develop an understanding of the special factors which may be causing competitive problems and whether such problems can be efficiently remedied through antitrust policy. Cross-section studies that examine relationships among economic variables over many industries and/or firms can discern general patterns that condition better or worse performance. Finally, analyses of relationships among firms or industry variables over time (time-series analysis) also highlight conditions that heighten or lower firm and/or industries performance.

The long-range goal of this program is to provide the President, Congress, the Commission, its staff, and the general public with analyses of the impact of antitrust and competition policy. These analyses will examine particular industries where problems may exist, particular government policies that may be causing competitive problems, and particular practices and factors which affect performance of a variety of industries.

MAJOR OBJECTIVES AND STRATEGIES

The major objectives of the Antitrust Policy Program are to: 1) increase our knowledge about those situations in which antitrust action will increase consumer welfare; 2) further the understanding of the role of government regulation in advancing or retarding a competitively functioning economy; and 3) advance our understanding of the special competitive problems faced by small businesses.

The strategies that will be followed for this program include: 1) conducting economic studies of specific industries and of cross-sections of industries to determine where and when antitrust activity may be appropriate; 2) conducting original competitive performance research using the Commission's rich and unique existing statistical sources, including Line of Business data, Corporate Patterns data, Quarterly Financial Report data, and other firm and industry financial and economic data sets acquired; 3) performing applied analyses drawing extensively on research already done by others to advise policymakers on specific antitrust policy decisions; 4) presenting the findings of these analyses to the Commission and to FTC staff; and 5) providing information to the President, the Congress, and the general public in reports, testimony, invited commentary, and other means as appropriate.

IMPACT STATEMENT

This level of activity will permit us to continue the current level of competition research using the Commission's unique statistical information, including Line of Business data. In addition, we will be able to fund the current level of three or four other competition and antitrust studies. Studies to be completed from FY86 include analyses of the financial and performance effects of mergers and divestitures; the determinants and effects of vertical integration; various factors in international competition; and an examination of the efficiency versus concentration arguments as explainers of superior firm performance.

RESOURCE SUMMARY	WORK-YEARS	DOLLARS ($000)
FISCAL 1986	19	$896
FISCAL 1987	19	912
CHANGE		16
% CHANGE		2%

FTC Form 46 (rev. [illegible])

PROGRAM SUMMARY

MISSION Economic Activities	PROGRAM NAME Other Direct Mission Resources	CODE W12	PAGE 1 of 1 DATE 1/31/86

DESCRIPTION OF PROBLEM AREA AND LONG-RANGE GOALS

This program provides support to approximately 150 professional and clerical employees in the Bureau of Economics. Because the Bureau includes not only the Economic Activities Mission but also economic support to the Maintaining Competition and Consumer Protection Missions, administrative support, planning, organization, and control are especially important.

The long-range goals of the program are to improve the effectiveness and efficiency of the Commission's activities by: 1) managing professional and clerical staff to ensure high-quality work produced in a timely manner; and 2) providing administrative and clerical support to ensure that program objectives are met.

MAJOR OBJECTIVES AND STRATEGIES

Managerial Objectives and strategies

1. Increase the effectiveness of economic support to the Maintaining Competition and Consumer Protection Missions through improved coordination among bureaus.
2. Provide improved planning, guidance, and review for the Economic Activities Mission through frequent consultation among senior staff.
3. Improve coordination between the Economic Activities and the Maintaining Competition and Consumer Protection Missions through increased communication, cooperation, and interaction.
4. Improve human resource utilization and capability through senior staff support for training and the achievement of EEO objectives.

Administrative and Clerical Objectives and Strategies

1. Improve budget development, execution, and review by: a) improving internal information flow and procedures; b) improving professional staff understanding of financial management matters; and c) improving communication and coordination among administrative staffs of the bureaus and the Division of Budget and Finance.
2. Improve personnel administration at the bureau level through improved analysis of personnel needs and more effective planning for recruitment and training.
3. Improve data and word processing support to bureau professional staff through: a) increased training of professional and clerical employees; b) improved coordination between staff of the bureau's computer center and the Automated Systems Division; and c) periodic review and modification of hardware and software capabilities.
4. Provide increased technical information access for professional staff through improvements in records management and updates to the BE library collection.

IMPACT STATEMENT

At this funding and workyear level, which remains unchanged from FY 86, the Bureau expects to achieve the managerial, administrative, and clerical objectives outlined above. Particular emphasis will be placed on improving both financial management planning and control, and coordination of activities involving other bureaus.

RESOURCE SUMMARY	WORK-YEARS	DOLLARS ($000)
FISCAL 1986	20	$939
FISCAL 1987	20	953
CHANGE		14
% CHANGE		1%

FTC Form 46

PROGRAM SUMMARY

MISSION SUPPORT	PROGRAM NAME Commissioners	CODE 001	PAGE 1 of 1 1/31/86

DESCRIPTION OF PROBLEM AREA AND LONG-RANGE GOALS

The Commissioners are responsible for ensuring that the agency effectively and efficiently executes its Congressionally mandated responsibilities. They formulate agency policy, thereby guiding and directing the work of staff, determine the type and extent of action that should be taken, allocate the resources required to implement courses of action and monitor the agency's progress in accomplishing stated goals. The long-range goal of the Commissioners is to encourage free and fair market performance by fostering free competition and by ensuring honest activities in the marketplace.

MAJOR OBJECTIVES AND STRATEGIES

The Commission seeks to encourage free and fair competition by limiting or removing private and governmental restraints on the competition process; by correcting distortions in the market that inhibit the effective use of scarce consumer dollars; and, by ensuring that consumers are provided with accurate and useful information so that they can make informed purchasing decisions. The strategies to achieve these objectives may include issuance of complaints, acceptance of consent orders, promulgation of Trade Regulation Rules, decisions in litigated matters, economic studies, consumer education, provision of information within areas of Consumer expertise to other governmental policymakers, and industry guidance. The five Commissioners implement these strategies through research, review, conduct of hearings, debate, and formal decisions.

FISCAL 1987 PROGRAM SUMMARY

The fiscal 1983 activities of the Commissioners will be the same as in fiscal 1986. The primary activities pursued by the Commission include:

a. Allocate and review the use of FTC resources;
b. Conduct liaison with Congress, federal and state agencies, and others;
c. Review staff proposals for investigations, use of compulsory process, complaints and trade regulation rules;
d. Promulgate trade regulation rules and guides and issue public reports;
e. Render advisory opinions concerning an applicant's proposed course of conduct;
f. Determine whether respondent's alleged courses of conduct violate existing statutes enforced by the FTC; and
g. Determine whether proposed consent orders are in the public interest.

RESOURCE SUMMARY	WORK-YEARS	DOLLARS ($000)
FISCAL 1986	37	$1,956
FISCAL 1987	37	1,988
CHANGE		32
% CHANGE		2%

PROGRAM SUMMARY

			PAGE 1 of 1
MISSION Support	PROGRAM NAME Executive Director	CODE Q01	DATE 1/31/86

DESCRIPTION OF PROBLEM AREA AND LONG-RANGE GOALS

The effective execution of the FTC's Congressionally mandated responsibilities requires central management to support timely development of Commission policy, oversee its implementation and ensure its integration in agency activities. The basic goal of the Office of the Executive Director is to provide the required policy development and implementation support to the FTC in all areas, and to provide effective management and administration support to Commission staff.

MAJOR OBJECTIVES AND STRATEGIES

1. Provide executive direction for the implementation of Commission policy.
2. Provide overall direction and evaluation of Commission programs with particular concern for resource planning and control through budget formulation and execution, program planning, management and organization analysis, evaluation of management information systems, human resource management, and administrative support services.
3. Carry out delegated authority to maintain and support equal opportunity goals throughout the Commission, including recruitment and development of minorities, women, the aged and the handicapped.
4. Insure that the FTC regional office structure is fully integrated into the agency's overall mission objectives and that resources are applied in the most effective manner.
5. Coordinate special programs which involve the joint actions of agency, bureaus and offices.

IMPACT STATEMENT

The fiscal 1987 activities of the Office of the Executive Director will be the same as in fiscal 1986. The primary activities of this office include:

1. Advising the Chairman, the Commission and organizations on program development and on policy matters in the budget, management and administrative areas.
2. Ensuring administrative and managerial effectiveness of all organizations in the FTC, including policy coordination among the bureaus and regional offices.
3. Providing overall direction and evaluation to Commisison programs which address resource planning and control, program planning, management and organization analysis, organizational evaluation, information systems, human resource management, EEO, and administrative services.

RESOURCE SUMMARY	WORK-YEARS	DOLLARS ($000)
FISCAL 1986	10	$533
FISCAL 1987	10	538
CHANGE		5
% CHANGE		1%

FTC Form 48 (rev. 5/80)

FISCAL 1987 BUDGET REQUEST
(dollars in thousands)

Mission: Economic Activities

Program Description	Fiscal 1986		Fiscal 1987		Change	
	Wkyrs	Amount	Wkyrs	Amount	Wkyrs	Amount
Economic and Consumer Policy Analysis	19	$931	19	$942	...	$11
Antitrust Policy Analysis	19	896	19	912	...	16
Other Direct Mission Resources	20	939	20	953	...	14
Total Direct Mission	58	2,766	58	2,807	...	41
Support Activities Allocation[1]	19	1,533	18	1,795	-1	262
Total Mission	77	4,299	76	4,602	-1	303

---

[1] Includes the cost of support organizations plus space and equipment rents, telecommunications, postage, Federal Register printing, library materials and other overhead expenses.

FISCAL 1987 BUDGET REQUEST
(dollars in thousands)

Mission: Support Activities

Office	Fiscal 1986		Fiscal 1987		Change	
	Wkyrs	Amount	Wkyrs	Amount	Wkyrs	Amount
Commissioners	37	$1,956	37	$1,988	...	$32
Executive Director	10	533	10	538	...	5
Office of Public Affairs	7	372	7	376	...	4
Office of Congressional Relations	8	313	8	315	...	2
General Counsel	51	2,397	44	2,088	-7	-309
Presiding Officers	2	99	2	99	...	...
Administrative Law Judges	10	525	10	526	...	1
Office of the Secretary	23	677	21	608	-2	-69
Management Services	78	3,360	73	3,284	-5	-76
Planning and Information	57	2,768	57	2,820	...	52
Total	283	13,000	269	12,642	-14	-358

PROGRAM SUMMARY

			PAGE 1 of 3
MISSION SUPPORT	PROGRAM NAME OFFICE OF PUBLIC AFFAIRS	CODE Q02	DATE 1/31/86

DESCRIPTION OF PROBLEM AREA AND LONG-RANGE GOALS

The Office of Public Affairs is responsible for informing the news media, business and professional interests, and the public at large about the operations of the Commission. OPA responds to media inquiries about Commission actions and policy and monitors print and broadcast news media for matters of interest to the Commission.

MAJOR OBJECTIVES AND STRATEGIES

This is achieved by (1) the preparation of concise and effective news releases, (2) the distribution of news releases selectively and efficiently to appropriate audiences, and (3) the provision of a central source for the news media to contact when seeking information on Commission actions.

The Office of Public Affairs also advises the Commission on how best to inform the public of FTC activities by counseling staff on appropriate news media and public appearances, and advising them what issues are of interest to the news media.

IMPACT STATEMENT

At the level of proposed workyears for 1987 the Office of Public Affairs will be able to perform these essential functions:

- produce releases on official actions of the Commission, including decisions by Administrative Law Judges;
- provide assistance and materials to media involved in covering Commission activities;
- produce "News Notes", a weekly document to inform members of the public who have requested to be kept apprised of official Commission actions;
- produce "Weekly Calendar and Sunshine Notices" report to inform the public of scheduled Commission activities which they may wish to attend;
- work with the bureaus and regions in coordination of media coverage of their activities.

RESOURCE SUMMARY	WORK-YEARS	DOLLARS (\$000)
FISCAL 1986	7	\$372
FISCAL 1987	7	376
CHANGE		4
% CHANGE		1%

FTC Form 46 (rev. [illegible])

PROGRAM SUMMARY

MISSION SUPPORT	PROGRAM NAME OFFICE OF CONGRESSIONAL RELATIONS	CODE Q01	PAGE 1 of 1 DATE 1/31/86

DESCRIPTION OF PROBLEM AREAS AND LONG-RANGE GOALS

The Commission must work closely with the Congress in carrying out the Congressional legislative mandate and assisting Congress in exercising its oversight responsibilities. The Office of Congressional Relations provides a central source of information for individual members of Congress, Committees of Congress, and Congressional staff who have inquiries regarding proposed legislation, Commission activities, and individual constituent requests. The Office also advises the Commission on Congressional policies, procedures, interests, and pending legislative initiatives.

MAJOR OBJECTIVES AND STRATEGIES

The primary objectives of the Office are to (1) lead Commission dialogue with Congress, ensuring good relations with members of Congress and their staffs; and (2) promptly respond to Congressional requests for information on Commission activities and Commission policies or positions on antitrust and consumer protection issues. The Office coordinates agency responses to Congressional inquiries and coordinates staff testimony before the Congress. The Office also provides the Commission with current information on Congressional activities and proposed legislation that could affect the Commission's jurisdiction or programs.

IMPACT STATEMENT

Under this level of funding the Office will be able to conduct essential Congressional liaison activities. Congressional liaison functions conducted at this level would include:

1. Coordinating Commission input into the development of pertinent legislation by key Congressional committees, through liaison with key staff;
2. Coordination of Commission appearances or testimony before Congressional committees;
3. Responding to verbal inquiries from Members of Congress or Congressional staff;
4. Coordinating and controlling Congressional correspondence; and
5. Assessing Congressional interest in key programs and providing advice to Commission staff.

At this level, the Office will continue to perform "outreach" activities. Most verbal inquiries will continue to be directed to members of the Commission staff, rather than being answered by Office of Congressional Relations staff. Review of Congressional correspondence will be handled the same as in the past. Time spent on Capitol Hill in face-to-face liaison meetings to share information will be somewhat limited as more time must be devoted to handling the load of Congressional inquiry on routine matters.

RESOURCE SUMMARY	WORK-YEARS	DOLLARS ($000)
FISCAL 1986	8	$313
FISCAL 1987	8	315
CHANGE		2
% CHANGE		1%

PROGRAM SUMMARY

			PAGE 1 of 1
MISSION SUPPORT	PROGRAM NAME OFFICE OF GENERAL COUNSEL	CODE T03	DATE 1/31/86

DESCRIPTION OF PROBLEM AREAS AND LONG-RANGE GOALS

The General Counsel serves as the Commission's chief law officer and legal advisor. Responsibilities include conduct of litigation when the Commission is a party to Federal court action; justification, support and defense of Commission policies and decisions; and advising the Commission on a wide range of matters. Also included are the general supervision, preparation and review of agency legal reports to the President and to Congress as to the form, substance and constitutionality of proposed legislation upon which the agency has been requested to comment.

The long-range goal of the General Counsel is to continue to render the highest quality representation for the Commission in its litigation, legal counseling and administrative functions.

MAJOR OBJECTIVES AND STRATEGIES

The primary objective of the General Counsel's office is to ensure Commission compliance with its own statutes and rules and with statutes of governmentwide applicability by providing timely advice on the manner in which particular activities may be executed. The office further seeks to ensure that the views of the Commission are fully and clearly presented in court proceedings to which the agency is a party, through direct representation of the Commission or through close liaison with the Department of Justice.

IMPACT STATEMENT

The reduction of seven workyears from our fiscal year 1986 budget would reduce or eliminate activity in such discretionary functions as liaison with the small business community, attention given to federal/state relations, participation in analysis and coordination of legislative matters, involvement in injunction actions, and responsiveness to the Commissioners and bureaus for advice. The Office would, however, meet statutory deadlines.

RESOURCE SUMMARY	WORK-YEARS	DOLLARS ($000)
FISCAL 1986	51	$2,397
FISCAL 1987	44	2,088
CHANGE	-7	-309
% CHANGE	-14%	-13%

FTC Form 46 rev. [illegible]

PROGRAM SUMMARY

MISSION	PROGRAM NAME	CODE	PAGE 1 of 1
SUPPORT	OFFICE OF PRESIDING OFFICERS	T06	DATE 1/31/86

DESCRIPTION OF PROBLEM AREA AND LONG-RANGE GOALS

The Office of Presiding Officers is responsible for conducting rulemaking proceedings on behalf of the Commission, including proceedings to rescind or amend existing rules. New programs are initiated upon the issuance of a Notice of Rulemaking by the Commission. Presiding Officers are appointed to individual rulemaking proceedings by the Chief Presiding Officer and are responsible for the orderly conduct of the proceedings in accordance with the Commission's Rules of Practice. A Presiding Officer is authorized to publish necessary notices for the orderly conduct of a proceeding, set the time and place for hearing unless otherwise prescribed by the Commission, impose reasonable time limits on oral presentations of witnesses, control cross-examination of witnesses, recommend issuance of compulsory process, dispose of motions relating to procedural and evidentiary matters and certify rulings to the Commission, require that oral presentations be given under oath, designate group representatives to cross-examine witnesses, establish the time for the filing of written statements of rebuttal at the close of public hearings. A recommended decision is made to the Commission, following publication of a staff report, based upon findings and conclusions as to all relevant and material evidence, and taking into account the report of the Commission's staff.

MAJOR OBJECTIVES AND STRATEGIES

1. Exercise effective control over the public hearing phase of rulemaking proceedings, within the limits established by the Commission Rules of Practice, to enable the participants to build a full and complete rulemaking record in each proceeding thereby assuring a basis for informed consideration by the Commission prior to final action to be taken.

2. Conduct all proceedings within the time frames established by the Commission.

3. Prepare and submit reports based on the evidence contained in the rulemaking record of each proceeding in timely fashion, setting forth detailed and specific findings and conclusions and including recommended decisions.

IMPACT STATEMENT

The Office of Presiding Officers receives its workload assignments directly from the Commission as new rulemaking proceedings are authorized and, as a consequence, does not directly establish or control workload levels. All rulemaking proceedings authorized by the Commission must be brought to a conclusion in the hearing phase in an expeditious manner.

The workload level anticipated for the program year will enable the office to meet its responsibilities under the Rules of Practice in finalizing work on three (3) proceedings commenced during the preceding fiscal year, while completing preliminary pre-hearing work on four (4) new proceedings. The requested manpower level is unchanged from FY 1986.

RESOURCE SUMMARY	WORK YEARS	DOLLARS ($000)
FISCAL 1986	2	$99
FISCAL 1987	2	99
CHANGE		
% CHANGE		

FTC Form [illegible]

PROGRAM SUMMARY

MISSION SUPPORT	PROGRAM NAME OFFICE OF ADMINISTRATIVE LAW JUDGES	CODE T05	PAGE 1 of 1 DATE 1/31/86

DESCRIPTION OF PROBLEM AREAS AND LONG-RANGE GOALS

Administrative Law Judges are officials to whom the Commission delegates its initial adjudicative fact-finding functions in conformity with applicable statutes, judicial precedent, Commission decisions and the agency's rules of practice.

When the Commission issues a complaint, and no consent settlement is reached, the matter is referred to the Office of Administrative Law Judges for assignment to an administrative law judge, who is the official presiding officer. He rules on virtually all matters arising in the course of the proceeding, including motions, discovery, other pretrial questions, procedural questions, and all issues arising during the trial including questions relating to admissibility of testimonial and documentary evidence. Many of these cases involve large corporations and pose complex issues which are often controversial and relate to difficult economic and competitive questions, which are very important because of their impact upon the public, the economy and business relationships between corporations within important industries.

MAJOR OBJECTIVES AND STRATEGIES

All cases referred to this office must be handled as efficiently and expeditiously as possible and no degree of discretion is available with respect to continuing, discontinuing, altering or in any way delaying activities other than those normal delays involved in the actual trial process. The office has no authority to return cases to the Commission, but must try them as expeditiously as possible unless the Commission directs otherwise or withdraws the matter from adjudication. Cases are resolved through the conduct of hearings and the issuance of initial decisions.

IMPACT STATEMENT

The office handles cases referred by the Commission and has no control over the number of such cases referred for trial. The office cannot expand or contract its workload in accordance with the amount of workyears or money available. All matters referred to the office for adjudication must be handled expeditiously. The number of cases an administrative law judge can handle during the course of a year is limited.

The level of funding of 10 workyears would permit the office to carry out its basic functions. The activities conducted by the office will be the same as in fiscal 1986.

RESOURCE SUMMARY	WORK-YEARS	DOLLARS ($000)
FISCAL 1986	10	$525
FISCAL 1987	10	526
CHANGE		1
% CHANGE		

FTC Form 46 (rev. 5-80)

PROGRAM SUMMARY

MISSION Support	PROGRAM NAME Office of the Secretary	CODE T04	PAGE 1 of 2 DATE Jan. 31, 1986

DESCRIPTION OF PROBLEM AREA AND LONG-RANGE GOALS:

The Office of the Secretary (OS) is the central repository and official custodian of the papers and records generated by the Commission. The function of the Office is similar to that of the clerk of a court, i.e., it receives all filings from the parties to proceedings before the Commission and issues and serves all official documents on the parties affected. The Office is also responsible for writing and distributing official minutes of Commission actions and for implementing the Commission's procedures for voting and decision making.

The Office of the Secretary is striving to replace antiquated systems for creating, storing and retrieving records with modern computerized systems. The development of these systems requires intense effort on the part of a small staff, but the end result will be improved quality in the service of official documents and record keeping in general. The Office also intends to provide computerized methods of performing accurate searches of historical data concerning Commission actions.

The long-range goals of the Office of the Secretary are to:

- Serve Commission documents to the appropriate parties, including all appropriate documents and instructions;
- Provide Commissioners with quick, accurate information about the status of Commissioner assignments, circulations, and votes in progress;
- Notify the Commission's staff when the Commission had directed them to take particular actions, and to monitor the status of the staff's response to those Commission directives;
- Schedule oral arguments to be heard by the Commission on appeal from Initial Decisions of Administrative Law Judges, and to schedule open and closed meetings of the Commission and to issue appropriate notice of Commission meetings as required by the Government in the Sunshine Act;
- Develop and implement an accurate and effective system of providing original and microform records to Commissioners, the staff, and the public, while preserving the integrity of those records; and
- Convert all historical records of Commission action to a form accessible through computer terminals.

MAJOR OBJECTIVES AND STRATEGIES:

- To monitor and modify as appropriate the OSCAR computerized record keeping system;
- To enter historical data in the OSCAR system;
- To maintain all case status information in the OSCAR and MIS systems by entering data on a daily basis and maintaining quality control to confirm accuracy and completeness of information;
- To provide copies of records upon request while maintaining integrity of the Commission's official records;
- To eliminate errors in the service of official documents;
- To establish procedures to segregate materials in closed files before the files are forwarded to OS so that microfilming can take place upon arrival;
- To develop and implement programs to train FTC personnel and the public to access information about agency activity through computer systems.

IMPACT STATEMENT:

This projected level of resources will allow OS to:

- Prepare minutes of Commission actions within 10 days;
- Serve all required official documents;
- Provide limited amounts of training for the OSCAR and CATS automated record keeping systems.

RESOURCE SUMMARY	WORK-YEARS	DOLLARS ($000)
FISCAL 1986	23	$677
FISCAL 1987	21	608
CHANGE	-2	-69
% CHANGE	-9%	-10%

PROGRAM SUMMARY (CONTINUED)

MISSION Support	PROGRAM NAME Office of the Secretary	CODE T04	PAGE 2 OF 2 DATE 1/31/86

IMPACT STATEMENT:

- o Implement plans to microfilm records and provide microforms rather than hard copies to requestors;
- o Prepare minutes of Commission actions within 9 days;
- o Serve all required official documents;
- o Provide limited amounts of training for the OSCAR and CAIS automated record keeping systems.

FTC Form 46 A (rev. 12/81)

PROGRAM SUMMARY

PAGE 1 of 1

MISSION	PROGRAM NAME	CODE	DATE
SUPPORT	MANAGEMENT SERVICES	R01	1/31/86

DESCRIPTION OF PROGRAM AREA AND LONG-RANGE GOALS

To help carry out the agency's responsibilities, a wide variety of management and support services must be provided. A central management organization is established to provide these critical services. This organization is also responsible for ensuring that when these services are provided, they comply with the requirements of various laws, regulations and executive orders. The long-range goal of this program is to deliver all required support services at the highest professional level as efficiently and effectively as possible.

MAJOR OBJECTIVES AND STRATEGIES

The major objectives of this program are detailed under sub-activities: Financial Management, Human Resource Management and Management of Procurement and General Services.

I. Financial Management
(1) To fulfill agency responsibilities regarding the formulation and execution of a budget that is: (a) responsive to Commission, OMB and Congressional guidance on resource utilization; (b) responsive to agency resource needs; and (c) coordinated with program planning and execution. (2) To process, record and report accurately and on a timely basis all financial transactions using an automated financial management system. (3) To identify and correct any instances of waste, fraud or error in the use of agency resources, through a system of management controls and audits.

II. Human Resource Management
To maximize the efficiency and productivity of the agency's human resources through inter-related programs of: (1) Personnel administration, including classifying positions, recruiting for and filling vacancies, reviewing promotions and other personnel actions; (2) Specialized recruitment programs tailored to the needs of the agency's substantive programs; (3) Organizational analyses to ensure that the agency's structure and its positions are designed effectively; (4) Employee, labor and management relations programs and career counseling services designed to assist employees and managers, and to provide appropriate counseling on a wide range of issues, including benefits, retirement, and the obligations and requirements of employees under civil service regulations; (5) Development of employee potential as a means of maintaining a highly skilled workforce, through a variety of training programs; (6) Equal opportunity and affirmative recruitment and development programs; (7) Workforce management and personnel management information systems.

III. Management of Procurement and General Services
(1) To produce effective contracts/purchase order documents with timeliness required to meet agency program needs and to ensure agency acquisition activities conform to Federal Acquisition Regulations; to provide controls to ensure proper performance as described by the contracted agreement; and to implement procedures to ensure FTC responsiveness to external reporting requirements and to procurement preference program goals agreed upon with the Small Business Administration. (2) To manage our space allocation in a manner that is responsive to the Presidential initiative to reduce the space-per-person without endangering operational effectiveness; to continue efforts to relocate employees in Washington, D.C. satellite buildings into a single consolidated satellite building. (3) To develop and maintain asset management controls to ensure effective planning, acquisition, utilization and disposition of agency property and supplies. (4) To maintain an in-house reproduction/graphics capability to meet the highly specialized, time-critical and frequently sensitive requirements of the Commission in a cost-effective manner; to provide for additional reproduction support through the GPO when requirements are routine and/or exceed FTC capacity.

IMPACT STATEMENT

The fiscal 1987 request provides for a five workyear drop between 1986 and 1987. This reduction would be spread to each of the three major management areas so little service impact is anticipated. In general, ongoing activities will be maintained at the same level as in fiscal 1986. All mandatory management and support services to program managers will continue to be provided as required or requested.

RESOURCE SUMMARY	WORK-YEARS	DOLLARS ($000)
FISCAL 1986	78	$3,360
FISCAL 1987	73	$3,284
CHANGE	-5	-76
% CHANGE	-6%	-2%

FTC Form 46 (rev. [illegible])

PROGRAM SUMMARY

MISSION	PROGRAM NAME	CODE	PAGE 1 of 1
SUPPORT	PLANNING AND INFORMATION	R01	DATE 1/31/86

DESCRIPTION OF PROBLEM AREA AND LONG-RANGE GOALS

The overall goal of this program is to assist Commission staff in the effective and efficient management and use of information. The coordination of information consists of:

-- Planning, development and maintenance of automated systems;

-- Application of information technology to improve the effectiveness and productivity of legal, economic, and office support activities; and

-- Organization and delivery of current and historic information resources to Commission staff and the public.

MAJOR OBJECTIVES AND STRATEGIES:

The activities that constitute this program, Automated Systems, Library Services, and Information Services, encompass the following major objectives and strategies:

-- Assist Commission staff in meeting information needs of their legal, economic and administrative activities by identifying information requirements and developing and supporting automated systems to meet those needs, including litigation support systems;

-- Maintain and enhance the Commission's "Management Information System" by improving the quality and scope of information tracked by the system, further integrating the system with ther Commission systems including the Office of the Secretary, financial management, and legal research systems, and improving the usefulness of reports;

-- Improve the efficiency of Commission records management systems by developing and maintaining standards, coordinating and reducing the redundancy of records systems, and increasing the application of computer indexing, microfiching, and other appropriate technology.

-- Facilitate the timely access of Commission staff to relevant information by providing comprehensive support through the Library and its "Information Center" to support staff access to, use of, and training about, information contained in the Commission's automated information systems; and

-- Develop and implement ongoing initiatives to improve Commission information resource management by developing a detailed long-range plan (including planning assumptions, goals, and objectives for Commission information resource management), Commission-wide standards concerning the acquisition and use of information technology, vehicles to facilitate communication with offices to which support is provided concerning their information system needs, and improved means of allocating limited personnel and equipment resources.

IMPACT STATEMENT

Ongoing activities will generally be maintained at the same levels as in fiscal 1986. The proposed funding and workyear levels for the Automated Systems, Information Services and Library activities appear to be adequate for continued operation and maintenance of existing FTC information systems, but they will require increased use of contractor services and constrain the acquisition of new hardware and software systems. Strategies that will be employed to meet the challenge of maintaining current service levels within the Planning & Information program include: increasing productivity of staff; evaluating and streamlining functions where appropriate; and improving cost control measures.

RESOURCE SUMMARY	WORK-YEARS	DOLLARS ($000)
FISCAL 1986	57	$2,768
FISCAL 1987	57	$2,820
CHANGE		52
% CHANGE		1%

FTC Form 48 rev. [illegible]

FEDERAL TRADE COMMISSION
SUMMARY OF REQUIREMENTS [1]
(dollars in thousands)

Adjustments to base and built-in changes

	Wkyrs	Amount
1986 Appropriation	1,168	$65,500
Adjustments to base to maintain current levels	...	4,200
Base for 1987	1,168	$69,700

	1985 Actual		1986				1987 Estimate		Program Change	
			Appropriation		Base for 1986					
Mission	Wkyrs	Amount	Wkyrs	Amount	Wkyrs	Amount	Wkyrs	Amount	Wkyrs	Amount
Maintaining Competition	527	$29,190	524	$29,540	524	$31,364	518	$31,084	-6	-280
Consumer Protection	592	32,151	567	31,661	567	33,686	560	33,359	-7	-327
Economic Activities	82	4,368	77	4,299	77	4,650	76	4,602	-1	-48
Total	1,201	$65,709	1,168	$65,500	1,168	$69,700	1,154	$69,045	-14	$-655

---

[1] This analysis only covers current authority and does not reflect pending reductions pursuant to P.L. 99-177 nor does it include obligations of $3.811 in fiscal 1985 unobligated balances carried forward into fiscal 1986 for space consolidation purposes.

FEDERAL TRADE COMMISSION
OBJECT CLASS ANALYSIS [1]
(dollars in thousands)

Object Class	Fiscal 1986	Fiscal 1987	Change + or -
Personnel Compensation and Benefits..........	$50,550	$50,714	$164
Other Objects................................	9,137	9,779	642
Standard Level User Charges..................	5,813	8,552	2,739
Total....................................	65,500	69,045	3,545

Explanation of Change by Object Class

Personnel Compensation and Benefits - This net increase reflects annual merit pay and within-grade step increases, offset by a program decrease of 14 workyears.

Standard Level User Charges - This increase represents the General Services Administration (GSA) charges for the space the agency will occupy in fiscal 1987. While the total space occupied decreases, space cost increases because of price increases passed on by GSA.

Other Objects - The net increase represents general inflationary price increases, including increased per diem in travel, and an increased requirement for equipment maintenance as a result of past equipment purchases.

---

[1] This analysis only addresses current authority and does not reflect pending reductions pursuant to P.L. 99-177 nor does it include obligations of $3.811 million in fiscal 1985 unobligated balances carried forward into fiscal 1986 for space consolidation purposes.

FEDERAL TRADE COMMISSION
APPROPRIATION LANGUAGE

SALARIES AND EXPENSES

For necessary expenses of the Federal Trade Commission, including uniforms or allowances therefor, as authorized by 5 U.S.C. 5901-5902; services as authorized by 5 U.S.C. 3109; hire of passenger motor vehicles; and not to exceed $2,000 for official reception and representation expenses; the sum of [$65,000,000 Provided, That the funds appropriated in this paragraph are subject to the limitations and provisions of sections 10(a) and 10(c) (notwithstanding sections 10(e)), 11(b), 18 and 20 of the Federal Trade Commission Improvements Act of 1980 (Public Law 96-252; 94 Stat. 374).] $69,045,000. (The Departments of Commerce, Justice, and State and the Judiciary, and Related Agencies Appropriation Act, 1986 Additional authorizing legislation has been proposed.)

FEDERAL TRADE COMMISSION
PROGRAM AND FINANCING
(dollars in thousands)

	1985 Actual	1986 Estimate [1]	1987 Estimate
Program by Activities:			
Direct program:			
1. Maintaining Competition	29,190	31,251	31,084
2. Consumer Protection	32,151	33,513	33,359
3. Economic Activities	4,368	4,547	4,602
Total direct program	65,709	69,311	69,045
Reimbursable program	158	150	150
10.00 Total obligations	65,867	69,461	69,195
Financing:			
Offsetting collections from:			
11.00 Federal Funds	-146	-150	-150
14.00 Non-Federal Funds	-12	...	...
21.40 Unobligated balance available, start of year	...	-3,811	...
24.40 Unobligated balance available, end of year	3,811	...	...
25.00 Unobligated balance lapsing	52	...	...
Budget authority	69,572	65,500	69,045

	1985 Actual	1986 Estimate [1]	1987 Estimate
Budget Authority:			
40.00 Appropriation	69,572	65,500	69,045

	1985 Actual	1986 Estimate [1]	1987 Estimate
Relation of Obligations to Outlays:			
71.00 Obligation incurred, net	65,709	69,311	69,045
72.40 Obligated balance, start of year	6,017	6,244	6,730
74.40 Obligated balance, end of year	-6,244	-6,730	-7,420
77.00 Adjustments in expired accounts	-215	...	...
90.00 Outlays	65,267	68,825	68,355

---

[1] The fiscal 1986 amounts in the Budget Appendix schedules include $3.811 million in fiscal 1985 unobligated balances carried forward from the fiscal 1985 Space Consolidation supplemental.

FEDERAL TRADE COMMISSION
SUMMARY OF BUDGET AUTHORITY AND OUTLAYS
(dollars in thousands)

	1985 Actual	1986 Estimate	1987 Estimate
Enacted/Requested:			
Budget authority...........	69,572	65,500	69,045
Outlays....................	65,267	68,825	68,355
Reduction Pursuant to P.L. 99-177:			
Budget authority...........	...	-2,817	...
Outlays....................	...	-2,634	...
Total:			
Budget authority...........	69,572	62,683	69,045
Outlays....................	65,267	66,191	68,355

The Federal Trade Commission is charged by law with ensuring that competition in the marketplace is vigorous, free, and fair. This is accomplished by eliminating threats to fair and honest competition from all sources, both public and private.

Maintaining Competition -- The Commission's efforts within this mission are aimed at fostering and preserving our competitive system with the goal of maximizing consumer welfare. In addition to enforcing the antitrust laws against private-sector restraints on competition, the Commission also scrutinizes regulatory policies that unduly restrain competition, and tries to exert a procompetitive influence in the development of such policies.

Consumer Protection -- The Commission is charged with eliminating unfair or deceptive acts or practices affecting commerce. The goal of the consumer protection mission is to improve market performance so that consumers can make informed choices when exercising their purchasing power. To accomplish this goal, the Commission will remove harmful private and public restrictions on market performance; encourage business to provide consumers with accurate and useful information; and, reinforce market forces that enhance consumer welfare.

Economic Activities -- This mission has four major functions: conducting research on the performance of the industrial economy; providing economic support to the Commission's antitrust and consumer protection efforts; advising the Commission on the impact of governmental regulation on competition in various industries; and developing economic reports on industrial structure and performance.

FEDERAL TRADE COMMISSION
OBJECT CLASSIFICATION
(dollars in thousands)

Direct Obligations:		1985 Actual	1986 Estimate 1/	1987 Estimate
Personnel Compensation:				
11.1	Full-time permanent..........	42,403	42,658	42,759
11.3	Other than full time permanent..................	3,014	2,199	2,210
11.5	Other personnel compensation...............	576	654	654
11.8	Special personal services payments.........	5	5	5
11.9	Total personnel compensation...............	45,998	45,516	45,628
12.1	Personnel benefits: Civilian....................	5,007	4,981	4,992
13.0	Benefits for former personnel..................	80	90	94
21.0	Travel and transportation of persons.................	886	950	1,090
22.0	Transportation of things.....	96	115	141
23.1	Standard level user charges..	5,589	6,282	8,552
23.3	Communications, utilities, and miscellaneous charges..	2,652	2,463	2,705
24.0	Printing and reproduction....	483	460	418
25.0	Other services...............	3,366	3,823	3,895
26.0	Supplies and materials.......	798	881	958
31.0	Equipment....................	754	2,607	572
32.0	Lands and structures.........	...	1,143	...
99.0	Subtotal, direct obligations................	65,709	69,311	69,045
99.0	Reimbursable obligations.....	158	150	150
99.9	Total obligations............	65,867	69,461	69,195

Personnel Summary

	1985 Actual	1986 Estimate 1/	1987 Estimate
Total number of full-time permanent positions..................	1,075	1,101	1,087
Total compensable workyears:			
Full-time equivalent employment......	1,201	1,168	1,154
Full-time equivalent of overtime and holiday hours..................	6	6	6

1/ The fiscal 1986 amounts in the Budget Appendix schedules include $3.811 million in fiscal 1985 unobligated balances carried forward from the fiscal 1985 space consolidation supplemental.

STATUTORY AUTHORITY AND DUTIES OF THE FEDERAL TRADE COMMISSION

The Commission exercises enforcement and administrative authority under these Acts:

(1) The Federal Trade Commission Act (38 Stat. 717, as amended; 15 U.S.C. §§ 41-58) - Under this Act, the Commission is charged with (a) the prevention of unfair methods of competition in or affecting commerce and unfair or deceptive acts or practices in or affecting commerce; (b) the conduct of investigations relating to (1) alleged violations of the antitrust Acts, (2) the manner in which decrees in antitrust suits brought by the United States have been carried out, and (3) the organization, business, conduct, practices and management of corporations engaged in commerce (with certain statutory exemptions) and their relation to other enterprises; (c) the making of reports and recommendations to the Congress with respect to legislation; and (d) prescribing (1) interpretative rules and general statements of policy with respect to unfair or deceptive acts or practices; and (2) trade regulation rules defining with specificity acts or practices which are unfair or deceptive including requirements for the purpose of preventing such acts or practices.

Title II of the Magnuson-Moss Warranty - Federal Trade Commission Improvements Act (88 Stat. 2183; 15 U.S.C. §§ 2301 et seq.) amended the Federal Trade Commission Act to enlarge the Commission's jurisdiction to cover activities "affecting commerce" as well as "in commerce"; to provide for certain procedures when the Commission prescribes substantive rules for unfair or deceptive acts or practices; to increase the Commission's authority to represent itself in civil court actions and before the Supreme Court under certain conditions; to authorize the Commission to commence a civil action to recover civil penalties for knowing violations of the FTC Act; and to authorize the FTC under certain conditions to file suit for consumer redress of injuries.

Section 20 of the Federal Trade Commission Improvement Act of 1980 (Pub. L. No. 96-252, 94 Stat. 393) prohibited the Commission until September 30, 1982, from conducting any study, investigation, or prosecution of any agricultural cooperative for conduct exempted from the federal antitrust laws by the Capper-Volstead Act (7 U.S.C. §§ 291 et seq). That section also prohibited the Commission until September 30, 1982, from conducting any investigation or study of agricultural marketing orders. Those prohibitions were extended to September 30, 1984, by Pub. L. No. 98-166 (97 Stat. 1071); extended to September 30, 1985, by Pub. L. No. 98-411 (98 Stat. 1545, 1551); and extended to September 30, 1986 by P.L. 99-180 (99 Stat. 1136).

(2) Clayton Act (38 Stat. 730, as amended; 15 U.S.C. §§ 12-27) - Under Section 3, 7 and 8 of this Act, the Commission is charged with the duty of preventing and eliminating unlawful tying contracts, corporate mergers and acquisitions and interlocking directorates. Under the Clayton Act, as amended by the Robinson-Patman Act, the Commission is charged with the prevention of certain specified practices, i.e., unlawful price and related discriminations.

(3) The Hart-Scott-Rodino Antitrust Improvements Act of 1976 (90 Stat. 1383; 15 U.S.C. § 18a) - This Act, in part, amends the Clayton Act to require the filing of premerger notifications with the Federal Trade Commission and the Antitrust Division of the Department of Justice and to establish a waiting period before certain acquisitions or tender offers may be consummated.

(4) Amendment to Packers and Stockyards Act (42 Stat. 159, as amended; 7 U.S.C. §§ 181-229) - The provisions of this amendment extend the Commission's jurisdiction to cover certain matters previously subject to the exclusive jurisdiction of the Secretary of Agriculture.

The amendment, in effect, grants the Commission jurisdiction over the activities of packers not related to livestock, meats, meat products, and the like. The Commission is granted additional power and jurisdiction over all transactions in commerce in margarine and oleomargarine and over retail sales of meat and related products. Other matters involving meat and related products are made subject to the Commission's jurisdiction when the Secretary requests the Commission to investigate and report or where, under certain circumstances, action by the Commission is necessary to exercise effectively its power or jurisdiction with respect to retail sales of meat and related products.

(5) Export Trade Act (40 Stat. 516, as amended; 15 U.S.C. §§ 61-65) - The Commission is responsible for receiving and filing articles of association or incorporation of "associations" organized under the Export Trade Act; investigating their operations which may adversely affect competition within the United States; making recommendations to the associations for readjustments deemed necessary therein; and where considered appropriate, making recommendations to the Attorney General for penal action.

(6) Wool Products Labeling Act (54 Stat. 1128, as amended; 15 U.S.C. §§ 68-68j) - Under this statute the manufacture for introduction into commerce, or the introduction, sale, transportation or distribution, in commerce, or the importation into the United States of misbranded wool is an unfair and deceptive act and practice under the Federal Trade Commission Act. The Commission is authorized to make inspections, analyses, tests and examinations of all wool products subject to the Act and to make such rules and regulations as may be necessary and proper for the administration and enforcement of the Act. In

addition, the Commission is also empowered under the statute to prevent the movement of misbranded wool products in commerce by injunction and to proceed by libel action in certain cases for condemnation of such products.

This Act was amended on September 24, 1984, by Title III of Pub. L. No. 98-417 (98 Stat. 1585, 1603) to require that wool product labels indicate the country where the product was processed or manufactured, and that mail order promotional materials clearly and conspicuously state whether a wool product was processed or manufactured in the United States or imported.

(7) Lanham Trade-Mark Act (60 Stat. 427, as amended; 15 U.S.C. §§ 1051-1127) - Under this statute it is the duty of the Commission to make applications for the cancellation of registered trade-marks under certain specified conditions. The Commission, as applicant, must secure the proper evidence on which the application for cancellation is based, prepare the application, stating the grounds relied upon, be represented at the hearing before a Patent Office examiner for the purpose of presenting such evidence and otherwise prosecute the matter to a conclusion.

Section 18 of the FTC Improvements Act of 1980 prohibited the FTC from using any funds through the end of fiscal 1982 to petition for cancellation of a trademark on the ground that the mark has become the common descriptive name of an article or substance. The prohibition was extended to September 30, 1984, by Pub. L. No. 98-166 (97 Stat. 1071); extended to September 30, 1985, by Pub. L. No. 98-411 (98 Stat. 1545, 1551); and extended to September 30, 1986 by P. L. 99-180 (99 Stat. 1136).

(8) Fur Products Labeling Act (65 Stat. 175, as amended; 15 U.S.C. §§ 69-69j) - The Commission is charged with the administration and enforcement of this statute which requires the labeling of fur articles of wearing apparel, as well as truthful invoicing and advertising of furs and fur products to show, among other things, the true English name of the animal from which the fur was taken and whether the fur is dyed or used. The Commission is also charged with issuing a Fur Product Name Guide and is authorized and directed to cause compliance inspections, analyses, tests and examinations to be made of furs and fur products subject to the Act and to prescribe rules and regulations governing the manner and form of disclosing required information under the Act. In addition to administrative enforcement, injunctive and condemnation proceedings are also provided for.

(9) Textile Fiber Products Identification Act (72 Stat. 1717, as amended; 15 U.S.C. §§ 70-70k) - This additional "truth-in-fabrics" statute takes up where the Wool Products Labeling Act leaves off. It became effective March 3, 1960, and covers the broad field of mandatory content disclosure in labeling,

invoicing and advertising of textile fiber products. Under its terms, misbranding as well as false and deceptive invoicing and advertising of textile fiber products is unlawful.

The Commission is authorized under the Act to make inspections, analyses, tests, and examinations of all textile fiber products subject to the statute, and further, to make such rules and regulations as may be necessary and proper for administration and enforcement of the Act. In addition, the Commission is directed to establish a generic name for each man-made fiber that does not as yet have such a name.

Enforcement of this Act is to be carried out through administrative procedures provided for under the Federal Trade Commission Act, together with injunction and criminal proceedings in the U.S. District Courts.

This Act was amended on September 24, 1984, by Title III of Pub. L. No. 98-417 (98 Stat. 1585, 1603) to require that a textile fiber product processed or manufactured in the United States be so identified, and that mail order promotional materials clearly and conspicuously indicate whether a textile fiber product was processed or manufactured in the United States or imported.

(10) Federal Cigarette Labeling and Advertising Act of 1966 (79 Stat. 282, as amended; 15 U.S.C. §§ 1331-39) - This Act became effective on January 1, 1966, and was amended by the Public Health Cigarette Smoking Act of 1969, which took effect on January 1, 1970. The Act requires the Commission to submit annual reports to Congress concerning (a) the effectiveness of cigarette labeling, (b) current practices and methods of cigarette advertising and promotion, and (c) recommendations for legislation.

The 1969 amendment requires that cigarette packages bear the statement, "Warning: The Surgeon General Has Determined that Cigarette Smoking is Dangerous to Your Health."

The Act was further amended by the Comprehensive Smoking Education Act (Pub. L. No. 98-474, 98 Stat. 2200), enacted October 12, 1984, which sets forth the text of four new health-related warning labels and requires that, one year from the enactment of this amendment, cigarette packages and advertisments begin carrying these warnings on a rotating basis according to plans to be submitted by each cigarette manufacturer or importer for approval by the Federal Trade Commission.

(11) Fair Packaging and Labeling Act (80 Stat. 1296; 15 U.S.C. §§ 1451-61) - This Act requires the Commission to issue regulations having the force of law respecting net contents disclosures, identity of commodity, and name and place of business of manufacturer, packer or distributor. The Act authorizes additional regulations when necessary to prevent consumer

deception or facilitate value comparisons in respect to declaration of ingredients, slack fill of packages, use of "cents-off" or lower price labeling, and characterization of package sizes. The Act became effective July 1, 1967, and gives the Commission responsibility for consumer commodities other than food, drugs, therapeutic devices and cosmetics. Violations of regulations issued under the Act will be treated as violations of Section 5 of the Federal Trade Commission Act.

(12) Truth in Lending Act (82 Stat. 146, as amended; 15 U.S.C. §§ 1601 *et seq.*) - This Act (Title I of the Consumer Credit Protection Act) delegated to the Commission, effective July 1, 1969, enforcement responsibility for compliance by non-depository creditors with this consumer credit disclosure statute. The Act requires all creditors who deal with consumers to make detailed written disclosures concerning all finance charges and related aspects of the transaction, including disclosure of finance charges expressed as an annual percentage rate, before consummation of the sale or loan in the case of closed-end credit, and before the account is opened and on every periodic statement in the case of open-end or revolving creditors. The Act also contains specified requirements for any advertisement of credit terms, and it includes a three-day right of rescission in any transaction involving a security interest in the consumer's residence (except one taken in connection with the purchase or initial construction of a dwelling).

The Truth in Lending Act was amended on October 26, 1970, to prohibit the issuance of unsolicited credit cards. The Act was further amended by the Fair Credit Billing Act which, effective October 28, 1975, provides for prompt written acknowledgments of consumer billing complaints and reinvestigation of billing errors by creditors sending periodic billing statements. The amendment prohibits such creditors from taking action which adversely affects the consumer's credit standing until the reinvestigation is made, and affords other protections during disputes. The Fair Credit Billing Act further requires the creditors to promptly post payments to the debtor's account, and refund overpayments or credit them to the debtor's account. The Act was further amended by the Truth in Lending Simplification and Reform Act of 1980; the "Simplification Act" reduced the number of mandatory disclosures, introduced greater flexibility in credit advertising, and required the Federal Reserve Board to promulgate model disclosures which, if employed and accurately updated, constitute compliance with the disclosure requirements. The Truth in Lending Act provides that a violation of the Act or any implementing regulation shall be deemed a violation of the Federal Trade Commmission Act.

(13) Fair Credit Reporting Act (84 Stat. 1128; 15 U.S.C. §§ 1681 *et seq.*) - The Fair Credit Reporting Act, effective April 25, 1971, is the only major federal privacy statute applicable to the private credit reporting industry. Its basic purpose is to ensure that consumer reporting agencies such

as credit bureaus, insurance and employment reporting companies exercise their responsibilities in providing information to credit grantors, insurers, employers and others in a manner that is fair and equitable to the consumer, with regard to confidentiality, accuracy, and the proper use of such information. Users of such information must inform the consumer when adverse action (such as denial of credit, insurance or employment) is taken on the basis of such reports, and the user must identify the company which is the source of the report so that its accuracy and completeness can be verified by the consumer.

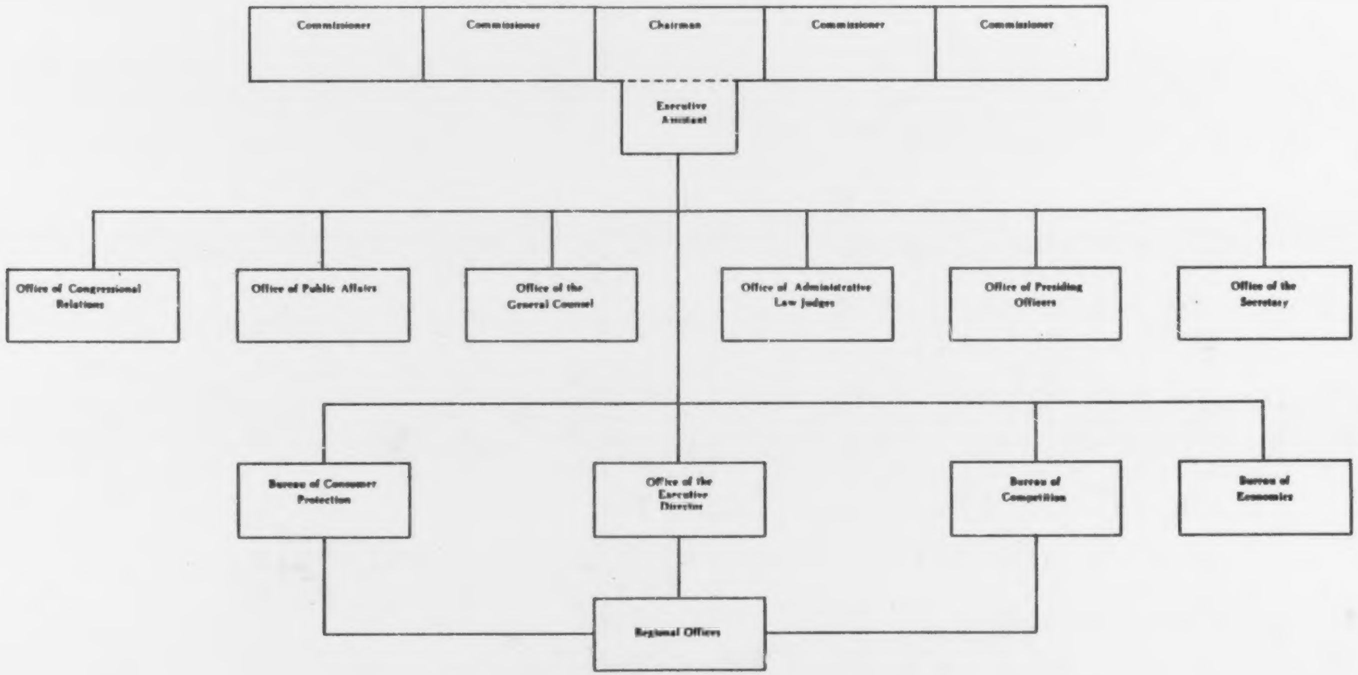
(14) Equal Credit Opportunity Act (88 Stat. 1521, 90 Stat. 251; 15 U.S.C. §§ 1691 et seq.) - This Act, Title VII of the Consumer Credit Protection Act, effective October 28, 1975, prohibits discrimination on the basis of sex or marital status in the extension of business or consumer credit. It was amended effective March 23, 1977, to add race, color, religion, national origin, sex, martial status, age, receipt of public assistance or good faith exercise of any rights under the Consumer Credit Protection Act as prohibited bases of discrimination. The Act also requires creditors to provide credit applicants reasons for denial. Regulations are issued by the Federal Reserve Board. Any violation of the Act or the FRB regulations is treated in the same manner as a violation of a trade regulation rule under the Federal Trade Commission Act.

(15) The Fair Debt Collection Practices Act (91 Stat. 874; 15 U.S.C. §§ 1692 et seq.) - This Act (Title VIII of the Consumer Credit Protection Act) delegated to the Commission, effective March 20, 1978, enforcement responsibility. Its purpose is to regulate the debt collection practices of third-party debt collection agencies who regularly collect or attempt to collect or whose principal purpose is to collect from consumers debts arising out of transactions that are primarily for personal, family or household purposes.

(16) Electronic Fund Transfer Act (92 Stat. 3728; 15 U.S.C. §§ 1693 et seq.) - This statute, effective March 10, 1979, was enacted as Title IX of the Consumer Credit Protection Act to "provide a basic framework establishing the rights, liabilities, and responsibilities of participants in electronic fund transfer systems. The primary objective of this title, however, is the provision of individual consumer rights." Administrative enforcement authority under this Act over financial institutions, air carriers, and securities brokers and dealers is placed in the federal agencies having regulatory jurisdiction over such organizations. Except for the foregoing, the Federal Trade Commission is responsible for the administrative enforcement of this statute.

(17) The Consumer Leasing Act (90 Stat. 257; 15 U.S.C. §§ 1667 et seq.) - This Act, an amendment to the Truth in Lending Act, regulates leases of personal property exceeding 4 months in duration to consumers for personal, family or household

FEDERAL TRADE COMMISSION


Commissioner
Commissioner
Chairman
Commissioner
Commissioner
Executive Assistant
Office of Congressional Relations
Office of Public Affairs
Office of the General Counsel
Office of Administrative Law Judges
Office of Presiding Officers
Office of the Secretary
Bureau of Consumer Protection
Office of the Executive Director
Bureau of Competition
Bureau of Economics
Regional Offices

purposes. The statute requires disclosure of relevant lease costs and terms at consummation of the transaction, imposes substantive limitations on the size of penalties for delinquency or default and residual liabilities and requires truthful and full disclosures in leasing advertising.

(18) The Magnuson Moss Warranty - Federal Trade Commission Improvements Act (88 Stat. 2183; 15 U.S.C. §§ 2301 et seq.) - Title I of this Act of 1975 authorizes the Federal Trade Commission to develop regulations for written and implied warranties. The Act authorizes the Commission to establish disclosure and designation standards for written warranties; defines the Federal content standards for full warranties; and establishes consumer remedies for breach of warranty or service contract obligations. In December 1975, the Commission issued three final rules under Title I establishing requirements for the disclosure of written warranty terms, the pre-sale availability of such warranties and the minimum requirements for informal dispute settlement mechanisms.

(19) The Hobby Protection Act (87 Stat. 687, 16 U.S.C. §§ 2101 et seq.) - This Act became effective on November 29, 1973, and made unlawful the manufacture or importation of imitation numismatic and political items unless marked in accordance with regulations prescribed by the Federal Trade Commission. Imitation numismatic items must be inscribed with the word "COPY" and imitation political items must carry the calendar year of manufacture.

(20) The Deepwater Port Act of 1974 (88 Stat. 2126; 33 U.S.C. §§ 1501 et seq.) - This Act requires the Secretary of Transportation to transmit a complete copy of any application for the issuance, transfer, substantial change in or renewal of any license for a deepwater port to the Federal Trade Commission and the Attorney General. Within 45 days following the last public hearing, the Federal Trade Commission and the Attorney General are to submit to the Secretary a report assessing the competitive effects of the issuance of the proposed license.

(21) The Energy Policy and Conservation Act (89 Stat. 871, 42 U.S.C. §§ 6201 et seq. as amended) - This Act requires the Commission, along with the Justice Department, to participate in the development and, when practicable, the implementation of voluntary agreements and plans of actions by oil companies pursuant to the International Energy Program provisions of the Act and to comment upon the competitive consequences of such agreements and plans including reporting to Congress thereon every six months. The Act also gives the Commission certain responsibilities with regard to provisions of the Act relating to automobile fuel economy, appliance efficiency and recycled oil.

(22) The Defense Production Act of 1950 (64 Stat. 110; 50 U.S.C. app. §§ 8206 et seq.) as amended, including the Defense Production Act Amendments of 1975 (89 Stat. 810) - Section 708 of

this Act requires the Commission and the Department of Justice to participate in the development and implementation of domestic voluntary agreements by oil companies, i.e., all voluntary agreements other than the one implementing the International Energy Program. It roughly parallels the Energy Policy and Conservation Act in that, with respect of all domestic voluntary agreements, it requires the Commission to monitor and survey the formation and implementation of the voluntary agreements. After consultation with the Commission, the Attorney General must report each year to Congress and the President on any anti-competitive consequences flowing from such domestic voluntary agreements.

(23) The Petroleum Marketing Practices Act (92 Stat. 322; 15 U.S.C. §§ 2801 et seq.) - This Act, enacted on June 19, 1978, gives the Commission the authority to prescribe requirements for the calculation and posting of octane ratings by distributors and gasoline retailers. Title III required the Federal Trade Commission and the Attorney General to consult with the Secretary of Energy in the conduct by the Secretary of a study of the extent to which producers, refiners, and other suppliers of motor fuel subsidize the retail or wholesale of such fuel.

(24) The Outer Continental Shelf Lands Act Amendments of 1978 (92 Stat. 629; 43 U.S.C. §§ 1801 et seq.) - This Act authorizes the Commission to consult with and advise the Secretary of the Interior, the Secretary of Energy, the Federal Energy Regulatory Commission and the Attorney General under various provisions of this Act pertaining to rules and regulations for OCS leases; permits, rights-of-way, and related matters involving pipelines; anticompetitive matters relating to OCS pipelines; proposed OCS lease sales; and reports relating to the competition and antitrust aspects of the OCS program.

(25) National Energy Conservation Policy Act (92 Stat. 3206; 42 U.S.C. §§ 8201 et seq.) - Section 212 of this Act (42 U.S.C. § 8214) requires the Department of Energy to establish a residential energy conservation program and provides for the consultation by DOE with the FTC prior to promulgating rules governing the standards for insulation materials to be used in this program. Such consultation is required by section 216 prior to DOE action on requests from utility companies for waiver of such rules, and prior to the issuance by DOE of orders prohibiting certain utility company activities. The Commission's advisory role is to insure that the program provides adequate protection for consumers, and does not adversely affect competition.

(26) Powerplant and Industrial Fuel Use Act of 1978 (92 Stat. 3289, 42 U.S.C. §§ 8301 et seq.) - The purpose of this law is to require the use of fuels other than oil and gas by electric generating plants and industrial facilities by prohibiting the use of oil or gas by new generating plants and by new industrial facilities designated "major fuel burning installations" (MFBI's). The Act also authorizes the Department

of Energy to prohibit the use of oil or gas by existing generating plants or MFBI's when the use of alternative fuels is technically and financially feasible. The foregoing authority of DOE may also be applied to the use of natural gas by boilers for the production of steam for space heating. Section 701 of this Act (42 U.S.C. § 8411) requires DOE to request FTC comments on the competitive impact of any proposed rule or petition for exemption involving an MFBI or steam generator for space heating. Section 742 required the FTC's participation in a comprehensive interagency "Coal Industry Performance and Competition Study," under the direction of the Secretary of Energy.

(27) Deep Seabed Hard Minerals Act (94 Stat. 553, 30 U.S.C. §§ 1401 *et seq.*) - Section 103(d) of this Act (30 U.S.C. § 1413(d)) provides for antitrust review by the Attorney General and the Federal Trade Commission of applications for issuance or transfer of licenses to recover minerals from the deep seabed.

(28) Shipping Act of 1984 (Pub. L. No. 98-237, 98 Stat. 67, to be codifed as 46 U.S.C. app. §§ 1701 *et seq.*) - Section 18 of this Act (46 U.S.C. app. § 1717) gives the Federal Trade Commission access to data collected by the Federal Maritime Commission concerning the impact of this Act upon the international ocean shipping industry. In 1989, the Federal Trade Commission must furnish Congress and the Advisory Commission on Conferences in Ocean Shipping with a report assessing the need for maintaining the tariff system enforced under this Act, establishing new tariff systems, or providing antitrust immunity for ports and marine terminals.

(29) National Cooperative Research Act of 1984 (Pub. L. No. 98-462; 98 Stat. 1815) - Enacted October 11, 1984, this Act limits to actual damages, interest and reasonable attorney's fees the amount of recovery available in any antitrust suit brought under the Clayton Act relating to the conduct of any joint research and development venture for which voluntary, prior written notification has been filed under this Act with the Federal Trade Commission and the Attorney General. The limitation applies once the Federal Trade Commission or the Attorney General publishes notice of the joint venture in the Federal Register, usually within 30 days of filing, identifying the parties to the venture and the area of planned activity.

CALENDAR YEAR
1985 COURT DECISIONS

American Financial Services Ass'n., petition for review of Commission trade regulation rule. On July 12, 1985, the United States Court of Appeals for the District of Columbia Circuit issued its decision in the captioned matter, denying petition for review of the Commission's Trade Regulation Rule on Credit Practices.

Amrep Corp., petition for review of a Commission order prohibiting deceptive land sales practices. On July 25, 1985, the United States Court of Appeals for the Tenth Circuit unanimously affirmed and enforced in all respects the Commission's order to cease and desist against Amrep Corp.

Bristol Myers Corp., petition for review of a Commission order prohibiting deceptive practices in analgesics advertising. On January 21, 1985, the Supreme Court denied Bristol Myers Corp.'s petition for certiorari to review a decision of the United States Court of Appeals for the Second Circuit upholding the Commission's decision in its entirety.

Brown & Williamson Tobacco Corp., suit for permanent injunction. On December 10, 1985, the United States Court of Appeals for the District of Columbia Circuit affirmed in part and remanded in part the order of the district court granting the Commission a permanent injunction against deceptive advertising for Barclay cigarettes.

Diamond Dealers Club, Inc., suit to enforce civil investigative demands. On December 13, 1984, the district court granted the Commission's petition to enforce investigatory subpoenas duces tecum issued to the Diamond Dealers Club, 14 individuals, and 12 diamond brokers and dealers. On January 29, 1985, the United States District Court for the Southern District of New York entered a stipulated modified order enforcing the subpoenas.

Evans Products Co., suit for permanent injunction and preliminary and ancillary relief to prohibit and redress unfair and deceptive practices in connection with the sale and advertising of prefabricated homes. On February 27, the United States District Court for the Western District of Washington denied the Commission's motion for preliminary injunction. On November 5, 1985, the United States Court of Appeals for the Ninth Circuit affirmed the judgment of the United States District Court for the Western District of Washington denying the Commission's request for a preliminary injunction.

Furman, suit for injunctive relief. On January 30, 1985, the United States District Court for the Eastern District Virginia entered an order enjoining defendants from representing to persons other than "health care professionals" that defendants are able, by virtue of hair analysis, to measure accurately the element content of a person's body or to recommend dietary supplements to correct chemical excesses or deficiencies.

Gulf Oil Corp., suit to compel disclosure of information under the Freedom of Information Act. On December 2, 1985, the United States Court of Appeals for the District of Columbia Circuit without opinion, summarily affirmed the district court's decision granting summary judgment for the Commission.

Indiana Federation of Dentists, petition for review of Commission order to cease and desist. On October 15, 1985, the Supreme Court granted the Commission's petition for certiorari to review a decision of the United States Court of Appeals for the Seventh Circuit vacating a Commission order prohibiting a conspiracy by competing Indiana dentists to withhold x-rays sought by insurers for cost containment purposes.

Kitco of Nevada, Inc., suit for injunctive relief under § 13(b) of the FTC Act. On June 7, 1985, the United States District Court for the District of Minnesota entered judgment for the Commission in its suit for permanent injunction.

Lieberman, suit by Attorneys General of Connecticut, Minnesota, Pennsylvania and Rhode Island for declaratory judgment holding that the premerger notification provisions of the Hart-Scott-Rodino Act do not preclude the Commission from disclosing to state officials documents pertaining to the proposed merger between Texaco, Inc. and Getty Oil Co. On August 20, 1985, the United States Court of Appeals for the Second Circuit granted the Commission's appeal and reversed the decision of the district court, which had held that the Commission has authority to share with the state attorneys general materials obtained under the premerger notification provisions of the Hart-Scott-Rodino Act. The court of appeals held that § 7A(h) of the Clayton Act precludes the Commission from sharing premerger materials with the attorneys general.

Linda Kane, suit to enforce third-party subpoena. On December 2, 1985, the United States Court of Appeals for the Tenth Circuit dismissed an appeal from a district court discovery order in an ancillary discovery proceeding, which required Linda Kane, wife of one of the defendants in FTC v. Alaska Land Leasing, Inc., to appear and testify at a deposition in Colorado and to produce corporate records and other documents.

Massachusetts Furniture & Piano Movers Ass'n, Inc., petition for review of Commission order. On September 30, 1985, the United States Court of Appeals for the First Circuit reversed in part, vacated in part, and remanded for further proceedings the Commission's order prohibiting joint rate-setting activities.

Mattox, suit to enjoin agency action. On January 21, 1985, the United States Court of Appeals for the Fifth Circuit affirmed the district court's ruling that the Commission had correctly construed Section 7A(h) of the Clayton Act, 15 U.S.C. § 18a(h), as prohibiting the disclosure of premerger notification materials to state attorneys general.

North Carolina State Board of Registration for Professional Engineers, suit to enjoin enforcement of FTC investigatory subpoenas. By order of August 12, 1985, the United States District Court for the Eastern District of North Carolina granted the Commission's motion to dismiss. The court held that because the case is not ripe for review and because the Commission was not shown to be acting in clear or brazen defiance of its statutory authority, the court lacked subject matter jurisdiction.

Paradise Palms Vacation Club, suit for injunctive relief under § 13(b) of FTC Act. On March 27, 1985, the United States Court of Appeals for the Ninth Circuit affirmed in principal part and vacated part and remanded in part the order of the district court denying a motion by one defendant to dissolve a stipulated preliminary injunction entered against him.

Rush v. Macy's, suit in mandamus seeking, in part to require the Commission to enforce provisions of the Fair Credit Reporting Act. On November 15, 1985, the United States Court of Appeals for the Eleventh Circuit affirmed a judgment of the United States District Court for the Southern District of Florida granting the Commission's motion to dismiss an action by two consumers seeking a writ of mandamus to require the Commission to intervene in their behalf in their Fair Credit Reporting Act suit against Macy's and a reporting bureau.

Sterling Drug Co., petition for review of order to cease and desist. On March 29, 1985, the Supreme Court denied Sterling Drug Co.'s petition for certiorari to review a decision of the United States Court of Appeals for the Ninth Circuit affirming and enforcing a Commission order to cease and desist deceptive advertising for analgesic products.

Terralab Engineers, suit to enforce civil investigative demands. On August 12, 1985, the United States District Court for the District of Utah entered an order enforcing two civil investigative demands issued as part of an investigation involving possible violations of the R-Value Rule.

Thomas, suit to compel disclosure of information under the Freedom of Information Act. By order of April 18, 1985, the United States District Court for the Northern District of Oklahoma granted the Commission's motion for summary judgment and denied plaintiff's motion for summary judgment holding that the withheld portions of the memorandum contained information submitted to the Commission voluntarily in lieu of compulsory process and hence exempt from disclosure.

CIVIL PENALTY SUITS

A. Consumer Protection Matters

Me-Books Publishing Co., United States District Court for the Central District of California (March 21, 1985). Two officers of Me-Books Publishing Co., Jerry Klein and James Maher, will each pay $10,000 in civil penalties to settle charges they violated the Federal Trade Commission's mail-order rule, under a consent decree filed in federal court. According to the FTC complaint, the company violated the rule by failing to ship books and letters customers ordered and by not offering them refunds.

JS&A Group Inc., United States District Court for the Northern District of Illinois (April 1, 1985). JS&A Group Inc. and its president, Joseph Sugarman, have agreed to pay a $115,000 civil penalty to settle charges they violated the Federal Trade Commission's mail order rule. The judgment settles charges in a 1981 FTC complaint that JS&A failed to mail more than 22,000 orders within the required time and also solicited orders for products when it had no reasonable basis to expect that it could make shipment within the required time. The complaint also alleged that, in numerous instances, when JS&A delayed shipment beyond 30 days, it failed to inform customers of their right to cancel and receive a refund. In addition, the complaint alleged that buyers were not provided legally adequate means to notify JS&A, at its expense, of their desire to cancel. When buyers did cancel, JS&A allegedly failed to make prompt refunds.

Enamelcraft Inc., Starmakers Marketing Inc. and Starmakers Private Label Marketing Inc. United States District Court for the Central District of California (May 1, 1985). A franchisor of women's clothing and enamel jewelry and giftware has agreed to pay a civil penalty of $15,000, settling FTC charges that it misrepresented the services and merchandise it offered and violated the FTC's franchise rule, under a consent judgment. According to an amended complaint accompanying the settlement, the defendants misrepresented that franchisees would earn a minimum of $50,000 annually. They also misrepresented the quality of the merchanidise franchisees would receive.

Nash Phillips/Copus Inc. United States District Court for the District of Columbia (June 24, 1985). Nash Phillips/Copus Inc. agreed to pay $300,000 in civil penalties to settle Commission charges that it violated credit advertising laws, under a consent decree. The Commission took this action as part of its real estate credit advertising project, which is designed to increase compliance with those laws. According to the complaint issued with the consent, Nash Phillips' ads offering credit for its houses violated the Truth in Lending Act by using specific credit terms without also including other required disclosures.

Royco Automobile Parts Inc. United States District Court for the Middle District of Florida (July 17, 1985). A federal court has ordered the defendants in this action to pay $567,000 in consumer redress and an additional $400,000 in civil penalties, based on Commission charges that the company made false promises of high profits from a risk-free investment. The court also approved the Commission's request for a permanent injunction, prohibiting the company from violating the FTC Act and the Commission's franchise rule.

Winkelman Stores Inc. United States District Court for Northern Ohio (Aug. 8, 1985). Winkelman Stores Inc. has agreed to pay $65,000 in civil penalties to settle Commission charges that it violated a federal credit statute when denying credit applications, under a court-filed consent decree. The FTC complaint that accompanied the consent decree charged that Winkelman Stores repeatedly violated certain provisions of the Equal Credit Opportunity Act (ECOA) and the Fair Credit Reporting Act (FCRA) when it denied credit based on information in credit-bureau files but failed to notify consumers of that fact and failed to provide consumers with the name and address of the credit bureau.

Encore House, Inc. United States District Court for the Southern District of New York (Sept. 25, 1985). Two mail-order marketers have agreed to pay $350,000 to settle FTC charges they repeatedly violated the mail-order rule and misrepresented their merchandise, under a consent decree. The marketers, Norman Chanes and Monroe Caine, allegedly controlled five mail-order companies: Encore House Inc., Marine Surplus Depot Inc., Nautical/Air Depot Inc., Harvest Advertising Inc., and Consumer Fulfillment Inc. In its complaint, the Commission charged that the companies' ads promised consumers high-quality articles only to receive low-quality poorly-constructed goods. Under the decree, the individuals will each pay $175,000 for a total of $350,000. They must pay at least $100,000 as civil penalties. They have already placed $250,000 in a consumer redress fund the U.S. Postal Service will administer. Any unclaimed redress will be paid as additional civil penalties.

Federal Energy Systems. United States District Court for the Central District of California (Sept. 19, 1985). Federal Energy Systems and one of its officers, George L. Yost, must pay more than $3 million in consumer redress and over $1.6 million in civil penalties to settle Commission charges, under a consent decree filed in federal court. According to the complaint, the company falsely and deceptively claimed that most of its franchises were highly successful, that it arranged for financing, that its equipment was easy to sell, that its franchisees would have exclusive geographical sales territories and that it would perform extensive advertising for them. Also, the company allegedly violated the franchise rule by failing to make required disclosures to potential buyers and by failing to provide disclosures within the time periods the rule specifies. Under a second decree filed at the same time, another officer, Vernon Williams, admitted the same violations, consented to the same future prohibitions and agreed to pay $10,000 in civil penalties.

Fidelity Acceptance Corp. United States District Court for the District of Minnesota (Sept. 30, 1985). Fidelity Acceptance Corporation has agreed to pay $235,000 in civil penalties to settle FTC charges that it repeatedly turned down elderly loan applicants on the basis of their age and reliance on retirement income. The civil penalties are the largest the FTC has ever obtained in a case involving alleged violations of the Equal Credit Opportunity Act, which prohibits discrimination in the granting of credit.

Allied Finance Co. United States District Court for the Northern District of Texas (Oct. 1, 1985). In a court-filed consent decree, Allied Finance agreed to pay $125,000 in civil penalties to settle charges that it discriminated against elderly credit applicants on the basis of their age and reliance on retirement income.

National Talent Associates, Inc. United States District Court for the Eastern District of New York (Oct 5, 1985). The Federal Trade Commission charged this talent agency with violating a 1975 consent order by misrepresenting their ability to place children in paid modeling positions. The company will pay a $150,000 civil penalty to settle the charges under a consent decree filed in federal court.

Dixie Readers' Service, Inc. United States District Court for the Southern District of Mississippi (Nov. 14, 1985). The Commission charged Dixie Readers' Service, Inc., which sells magazine subscriptions door-to-door nationwide, with failing to make timely and full refunds and to inform customers of their rights to cancel subscriptions, as well as with violating an earlier FTC order. The company has agreed to pay a $55,000 civil penalty and to refrain from future violations of the FTC's door-to-door sales rule.

Strawbridge & Clothier United States District Court for the Eastern District of Pennsylvania (Nov. 19, 1985). The Commission charged Strawbridge & Clothier with violating a federal credit law by failing to tell applicants why it turned them down for credit. The complaint accompanying a consent decree charged Strawbridge with repeated violations of certain provisions of the Equal Credit Opportunity Act (ECOA) and the Fair Credit Reporting Act (FCRA).

Del Monte Corporation. United States District Court for the Northern District of California (Nov. 14, 1985). In a complaint filed with a consent decree, the Federal Trade Commission charged Del Monte with violating the mail-order rule in a coupon promotion program. The Corporation has agreed to pay a $100,000 civil penalty to settle charges it failed to send consumers timely and proper notices telling them of their rights under the rule.

B. Competition Matters

Louisiana Pacific Corp., United States Court of Appeals for the Ninth Circuit (March 4, 1985). The court of appeals vacated an order of the district court awarding the Commission civil penalties of $4 million for Louisiana Pacific's violation of a consent order requiring divestiture. The court remanded for the Commission to provide reasons for its denial of Louisiana Pacific's petition to reopen and modify the consent order.

MAINTAINING COMPETITION MISSION

FISCAL YEAR 1985 ACCOMPLISHMENTS

MERGERS

During fiscal 1985, there were 1604 transactions filed with the Commission pursuant to the Hart-Scott-Rodino Pre-Merger Notification Program. This is an increase of approximately 20% over the fiscal 1984 rate. The Commission issued "requests for additional information" relating to 32 of those transactions. Our merger enforcement program relies heavily on the ability to seek to preliminary enjoin mergers under section 13(b) of the FTC Act when the Commission deems such actions appropriate to prevent violations of the antitrust laws. In fiscal 1985 the Commission obtained an injunction against the proposed acquisition of PolyGram Records Inc. by Warner Communications Inc. and authorized Commission staff to seek injunctions in three other matters: the proposed acquisition by N.L. Industries, Inc. of the titanium dioxide assets of American Cyanamid Company; Baker International's proposed acquisition of the underground mining equipment assets of Paccar Inc.; and SmithKline Corporation's proposed acquisition of American Optical Corporation. In each instance the parties subsequently withdrew from the proposed transactions. The Commission also allowed Allied Corporation to proceed with its acquisition of King Radio corporation only after Allied had consented to an order requiring it to divest certain weather radar assets. The Commission issued an administrative complaint challenging Olin Corporation's acquisition of certain swimming pool chemical manufacturing assets from FMC Corporation and entered into an agreement with Olin which requires that during litigation the acquired assets be maintained in a condition which will allow them to be divested. The Commission voted to accept a consent agreement requiring Columbian Enterprises Inc., a carbon black producer, to obtain prior Commission approval before making significant acquisitions in the carbon black industry, and placed the consent agreement on the public record. In addition, the Commission dismissed its challenge to Weyerhaeuser Company's acquisition of Menasha Corporation's corrugating-medium mill, affirming the administrtive law judge's earlier dismissal of the complaint. Litigation also continued in other matters.

The Bureau Staff has also submitted to the Commission a Notice of Proposed Rulemaking to amend the premerger notification rules. The Commission published these proposed amendmenmts to the Federal Register for the purpose of receiving public comments. Certain amendments are designed to reduce the reporting burden by narrowing the types of acquisitions that must be reported through the notification process, reducing the documentation and information that must accompany notifiction, and clarifying the meaning of the notification rule. In addition, the amendments would add a new rule to cover a form of transaction that has become increasingly prevalent, namely, acquisitions made indirectly through entities formed for that purpose, and would eliminate a little-used exemption pertaining to acquisitions subject to a Commission or court order requiring prior approval.

ENERGY AND NATURAL RESOURCES

The Commission continued its active involvement in maintaining competition in both petroleum and non-petroleum energy industries. During this fiscal year, several investigations were initiated or continued. In addition, the Commission authorized the Bureaus of Competition and Economics to respond to a number of Congressional requests for analysis and advice on energy competition issues.

The Commission also reviewed several significant proposed energy acquisitions under its statutory responsibilities pursuant to the Hart-Scott-Rodino amendments to the Clayton Antitrust Act, 15 U.S.C. § 18A . In one of these, Internorth/Houston Natural Gas, the likelihood of anticompetitive results attributable to horizontal overlaps in certain natural gas pipeline product and geographic markets in the southwestern United States led to Commission-ordered divestiture of assets by a consent order against the acquiring company. In another MidConl/United, gas pipelines overlaps in two separate markets led to a Commission administrative complaint alleging violation of Section 7. One of the counts of the complaint was removed from adjudication for entry of a consent order for divestiture of gas pipeline assets. The remaining portion of the complaint has been assigned to an administrative law judge for trial. In addition, Commission-ordered divestitures by oil companies of petroleum and pipeline assets were completed within the deadlines imposed by the Commission in Texaco/Getty and Chevron/Gulf.

The Commission continued its program of examining the regulatory activities of other federal and state agencies in energy markets, and examining proposed federal and state legislation in such markets. The Commission offered competitive impact advice when requested, and intervened in regulatory proceedings if the Commission believed it necessary or appropriate to advocate market solutions as superior to command and control regulatory activities.

Finally, the Commission continued to discharge its responsibilities under the Energy Policy and Conservation Act with regard to the International Energy Program by monitoring industry meetings, providing antitrust advice to other agencies of the United States Government, and preparing and issuing reports on the competitive impact of the International Energy Program to the President and Congress. The Commission also continued to fulfill its obligations under the Deep Seabed Hard Mineral Resources Act, the National Energy Conservation Policy Act and the Power Plant and Industrial Fuel Use Act. The Commission also conducted several investigations of alleged predatory and other anticompetitive behavior in various resource industries and examined competitive issues involving utility participation in non-regulated markets. In an investigation of the lithium industry, one of the two firms involved has agreed to enter into a consent decree. The Commission completed a major investigation of a merger of two gas and electric utilities with overlapping service areas.

HEALTH CARE

During fiscal 1986 to date, the Commission continued its efforts to promote competition in the health care sector of our economy. In conclusion to litigation, the Commission issued a decision upholding an ALJ Initial Decision finding that hospital acquisitions by Hospital Corporation of America in Chattanooga, Tennessee, were illegal. The Commission issued an order requiring divestiture of several hospitals to remedy the anticompetitive effects of the acquisitions. Further on the litigation front, the Commission served on respondents a complaint (issued September 30, 1985) charging a conspiracy by competing physicians to extract higher prices from third-party payers by threatening to, and actually, jointly departicipating from the plans. The Commission also issued several consent orders setting charges of anticompetitive activity. The Commission issued a final consent order against a state optometric association preventing it from restricting certain forms of commercial practices, such as affiliating with franchise eye wear retail centers. The Commission issued a final consent order preventing a hospital's staff from threatening to boycott the hospital to prevent its operation of an urgent care center. It also issued a final consent order requiring divestitures to remedy the alleged anticompetitive effects of an acquisition of competing hospitals both Texas and Virginia. The Commission and its staff have also pursued ongoing investigations allegations of boycotts, restraints on truthful advertising by health care professionals, anticompetitive mergers, and other illegal anticompetitive conduct.

In addition to traditional law enforcement activity, the Commission has provided advice and informal guidance to health care professionals seeking to ensure that their proposed activities, including new forms of health care marketing and delivery, and dispute resolution services, conform requirements of the antitrust laws. The Commission filed an amicus brief in the Seventh Circuit urging the court not to apply the state action exemption to anticompetitive conduct that occurs in connection with hospital privilege decision.

TRANSPORTATION

During fiscal 1985, the Commission made substantial progress on a program aimed at eliminating suspected anticompetitive municipal regulation of taxicabs unauthorized by state law, through litigation and advocacy. A complaint issued against the City of Minneapolis was withdrawn after the City revised its ordinance to permit more competition; and one against New Orleans was withdrawn after the state authorized the conduct by a new law. Staff testimony advocating more procompetitive regulation was given in Colorado; Anchorage; Alaska; Seattle, Washington; and the District of Columbia in response to invitation. Numerous requests for the Commission's economic report on taxicabs show that the program is having a more subtle influence as well. In response to the Supreme Court's Southern Motor Carriers decision, the First Circuit remanded the Massachusetts Movers decision to the Commission for further findings. In addition, for similar reasons some pending motor carrier rate bureau matters were withdrawn. Adjudication of others continued. The Commission issued a complaint against U-Haul involving sham litigation allegations.

HORIZONTAL RESTRAINTS

During fiscal 1985, the Commission continued to devote substantial resources to eliminating anticompetitive agreements among competitors, especially among professionals. The Commission has focused its efforts on state boards and private professional and trade associations' regulations that may have the purpose, or the effect, of fixing or stabilizing prices or reducing output, causing substantial injury to consumers. In implementing its program against anticompetitive horizontal restraints, the Commission has used various means: intervention, advocacy, cooperative efforts resulting in voluntary compliance, consent orders, and litigation. This year, the Commission has issued administrative complaints against trade associations or other groups of competitors in three cases: National Decorating Products Association involved allegations that NDPA and certain of its local affiliates conspired to restrain competition in the sale of wallpaper and other "wallcoverings"; Title Insurance involved several title insurance companies' alleged conspiracies to fix prices on title search and examination services; Detroit Motor Vehicle Dealers involved allegations that competing motor vehicle dealers in Detroit conspired to close their business during weekends. The Commission is also completing litigation in several other alleged horizontal restraint cases initiated in the previous fiscal year. The Commission has eliminated horizontal restraints through consent agreements in four other cases: National Association of Temporary Services involved the Association's rules restricting its members from soliciting competitors' employees or customers and from sending employees to the site of a labor dispute; National Customs Brokers and Forwarders Association involved the

Association's rules restricting its members from making autonomous pricing decisions; Orange County Board of Realtors and Multiple Listing Service of the Greater Michigan Area involved the Board's and the Service's restrictions on the publishing of their members' exclusive agency listings. Additionally, without resort to litigation or order, the Commission has eliminated a number of other restrictions on commercial activities of state-licensed professionals through cooperation with state boards and state attorneys general.

COMPLIANCE

During fiscal 1985, the Commission determined to institute civil penalties litigation in two instances; against American Hospital Supply Corp. for making numerous acquisitions in the urinary catheter market without prior Commission approval; and against Bell Resources Ltd. and Weeks Petroleum Ltd. for acquiring stock in Asarco Inc. without filing the premerger notification and observing the statutory waiting period required by § 7A of the Clayton Act and the premerger rules. The staff also made recommendations to the Commission concerning numerous petitions to modify orders and applications for approval of divestitures and acquisitions. In addition, staff advised Bureau attorneys on the effectiveness of proposed remedies, and conducted investigations of possible order violations and possible violations of the premerger reporting statute and rules.

INTERNATIONAL ANTITRUST

During fiscal 1985, the international antitrust program was active in a total of twenty-five full phase and initial phase investigations involving such matters as: possible horizontal price fixing in imported motorcycle batteries, imported sausage casing, fine art, wallcoverings, and imported radial tires; possible attempted monopolization of the markets for potassium permanganate, indomethacin, and melamine; and potential anticompetitive restraints resulting from transnational joint ventures involving gas and electric ranges, and polycrystal silicon (for computer integrated circuits). Two merger cases involving proposed acquisitions in the carbon black industry which were preliminarily enjoined last year by a Federal court were pursued under administrative complaints issued by the Commission. Consolidated Mining Dupont, Dkt. 9177, and Bass Brothers/Ashland, Dkt. 9178. The Bureau recommended Commission acceptance of a consent decree in one of these cases. The Commission also issued an administrative complaint in a case involving alleged horizontal restraints in the wallcovering industry against a national trade association and three regional or local trade associations. NDPA, et al. Dkt. 9192. The Commission accepted a consent decree against one of these respondents.

Through a total of seventeen projects, the international program has been active in a variety of intervention matters and international liaison activities involving transnational competition and antitrust law enforcement issues impacting upon the domestic economy. For example, the Commission intervened in several trade law proceedings and provided legal and economic analyses which sought to identify and quantify the economic costs to consumers and the national economy of remedies requested. Under its international liaison activities, the Division maintained full compliance with the notification provisions of bilateral and multilateral international antitrust cooperation agreements and understandings with foreign nations which serve to minimize international law and policy conflicts, as well as facilitate United States' antitrust law enforcement efforts involving international commercial transactions and/or the acquisition of evidence located abroad. The total number of international notifications and cooperative contacts and requests for assistance with foreign antitrust officials continued to increase in fiscal 1985. In fiscal 1985, the International Division For example, during had one hundred and forty-four such bilateral exchanges with foreign governments regarding antitrust investigations and proceedings which might affect foreign sovereign interests. In addition, the Commission, in cooperation with DOJ and the State Department continued its participation on the OECD Committee of Experts on Restrictive Trade Practices, the Council on Foreigh Investment in the United States (CFIUS), and, at the request of the USTR, the interagency MOSS initiative.

MARKET POWER

The Commission staff continued to receive complaints alleging the abuse of market power by various public utilities. During the year, a large amount of resources were committed to studying alleged problems in the industry and to in-depth reviews of selected companies. The staff is currently completing analysis of the facts developed during the course of these reviews.

During fiscal 1985, the staffs of the Bureaus of Competition, Consumer Protection and Economics filed comments with the Federal Communications Commission to encourage the FCC to permit more competition for granting of Intelsat satellite communication slots.

DISTRIBUTIONAL RESTRAINTS

The Commission's decision in Boise Cascade Corp., involving the alleged receipt of discriminatory prices by a distributor of office supplies, is pending. The Commission continued a number of investigations involving possible distributional restraints.

FOOD

During fiscal 1985, the Commission concluded the first stage of its retail pricing survey, including investigational hearings in five major cities across the United States. The study focuses upon the impact of new store formats on price competition in the retail grocery industry. The Commission is now evaluating the results of the investigational hearings and supplemental industry data. In addition, several investigations of possible anticompetitive acquisitions in the manufacturing and processing segments of the industry were initiated.

The Commission is also continuing to monitor practices by retailers that may inhibit the free flow of comparative price information to consumers, practices which have resulted in the Commission issuing complaints in the past. The Commission is continuing to investigate acquisitions in the soft drink industry for possible anticompetitive effects. The Commission has also initiated several investigations of alleged anticompetitive practices, including abuse of governmental process designed to injure competition and collusion among competitors. The program also completed a number of other investigations that did not disclose sufficient evidence of law violations.

EVALUATION, PLANNING AND DEVELOPMENT

During fiscal 1985, this program has included several innovative projects. The Bureau staff wrote, and the Commission filed, several amicus briefs in an expanded program designed to encourage and foster competition wherever the Commission's expertise might be persuasive. Briefs were filed in federal district courts and in the Supreme Court.

Work has also continued on a variety of ongoing responsibilities, including evaluation of current Bureau investigations, management of the Bureau's efforts in competition advocacy, providing guidance to the public regard Commission policies, research and analysis of significant antitrust issues, and providing management information on Maintaining Competition Mission activities.

CONSUMER PROTECTION MISSION

FISCAL YEAR 1985 ACCOMPLISHMENTS

The Consumer Protection Mission is charged with the elimination of unfair or deceptive acts or practices in or affecting commerce, with emphasis on those practices that may unreasonably restrict or inhibit the free exercise of consumer choice. The Mission emphasizes market-oriented remedies for law violations. Its activities can be grouped into five program areas: Advertising Practices; Credit Practices; Service Industry Practices; Marketing Practices; and Enforcement. In addition, the Mission has a Policy and Evaluation Unit, and an Office of Consumer and Business Education.

Advertising Practices

The Commission accepted a number of consent agreements in the area of advertising practices. Thomas A. Dardas, president of Acu-Form Weight Control Centers, Inc., agreed not to claim that the "Acu-Form" plastic molded earpiece or any other diet product is effective in helping consumers lose weight unless he has competent and reliable substantiation. Biopractic Group, Inc., maker of "Therapeutic Mineral Ice" arthritis pain remedy, agreed not to make unsubstantiated claims about the product's effectiveness and acceptance by the scientific community or news media. Commodore Business Machines, Inc. agreed not to advertise that its computers have or will have in the future particular equipment or capabilities unless the claim is true, or there is a reasonable basis for the claim. Young & Rubicam/Zemp, Inc., an advertising agency, agreed not to misrepresent the ability of the "Ecologizer CA/90 Series 2000 Air Treatment System" or any other indoor air cleaner made to remove formaldehyde gas or tobacco smoke from household air, without competent and reliable substantiation. John Treadwell, doing business as Trans-Continental Industries (TCI), agreed not to claim that "20% Plus Organic Fuel Catalyst" gasoline additive could increase gas mileage and reduce fuel costs by 20 to 25 percent without competent and reliable evidence. Misrepresentations of test results, or of the profits or marketing assistance provided to distributors, is also prohibited under the agreement.

The Commission issued two administrative complaints in the advertising practices area. Buckingham Productions, Inc. was charged with making false, misleading, and unsubstantiated advertising claims for its "Rotation Diet" and several other related weight reduction plans. Removatron International Corporation, the maker of the Removatron brand hair-removal device, was charged with deceptively advertising that the product can permanently remove hair and falsely claiming the device has been approved by the Federal Communications Commission.

Several adjudicated consent agreements were accepted by the Commission in the advertising practices area. Rush-Hampton Industries, Inc. and Associated Mills, Inc. agreed not to make performance or efficacy claims about indoor air cleaning devices without competent and reliable substantiation. A final agreement prohibits the P. Leiner Nutritional Products Corp. from claiming that its nutritional supplement "Octacol 4" can improve physical fitness or athletic performance unless it has competent and reliable substantiation. The company also agreed not to misrepresent test results in its advertisements. An agreement settling charges related to the Buckingham Productions, Inc. complaint, prohibits Dr. Barry Bricklin, an expert in the psychology of dieting, from providing false and misleading endorsements for diet plans. In a consent agreement accepted and placed on the public record, Weider Health and Fitness, Inc. and Joseph Weider agreed to pay a minimum of $400,000 in refunds and research grants to settle charges they misrepresented two nutrient supplements. Weider advertised and sold the supplements as substitutes for anabolic steriods, used by bodybuilders and weight trainers to increase muscularity and strength.

In a suit filed in federal district court, the Commission sought and obtained an asset freeze against all but one of the defendants in the case against Phillipe LaFrance/USA, Ltd., et al. The complaint seeks permanent injunctions, consumer redress, and civil penalties from nine companies and four individuals who allegedly misrepresent the nationally advertised mail order products they sell. The Commission also filed a complaint seeking a permanent injunction and consumer redress against William Jones, doing business as Liquid Assets. The Commission alleges that the company's advertising claims that its mouthwash, "Breath Fresh 502" will have a sobering effect on people who have consumed large amounts of alcohol and will allow them to pass breath analyzer tests are false and deceptive. The Commission charged Intra-Medic Formulations, Inc. and three of its subsidiaries with making false and deceptive claims about its weight-control and baldness-cure products. The Commission's complaint seeks permanent injunctions and consumer redress.

The Commission issued a final order upholding an Administrative Law Judge's decision that Thompson Medical Company may not deceptively convey to consumers that its "Aspercreme" arthritis rub is an effective remedy against pain, is a new scientific discovery, or that the product contains aspirin.

The Commission terminated the Protein Supplements Rulemaking proceeding. The lack of sufficient evidence that unfair or deceptive representations were ever widespread, coupled with the absence of any evidence that manufacturers had made such representations in the last decade, led the Commission to believe that problems were not prevalent enough to warrant an industry-wide rule. The Commission stated that case-by-case enforcement is a more appropriate and efficient strategy. Comments were solicited on proposed amendments to the Guide Concerning Fuel

Economy Advertising for New Automobiles. The changes are intended to make the guide consistent with the Environmental Protection Agency's revised fuel economy labeling rules for new automobiles.

The Commission approved revised industry plans for the quarterly rotation of health warnings on cigarette packages and in advertisements. Under the Comprehensive Smoking Education Act, enacted in 1984, the Commission must approve the companies' plans for rotating the warnings. In the annual report to Congress on smoking data for 1982 and 1983, the Commission reported that cigarette sales decreased in 1982 for the first time since 1969 and declined again in 1983. The advertising expenditures of the cigarette companies continued to increase in both years, reaching a new high of nearly $2.7 billion in 1983. In response to a petition regarding advertising for smokeless tobacco products the Commission requested a "comprehensive review of the existing scientific evidence on the health effects of smokeless tobacco" from the U.S. Surgeon General.

The Commission denied a petition asking it to begin industrywide rulemaking proceedings restricting alcoholic beverage advertising. The Commission found no reliable basis on which to conclude that alcohol advertising significantly affects alcohol abuse.

Marketing Practices

The Commission obtained several final consent agreements in the warranty performance area. Sun Refining and Marketing Company agreed to honor lifetime warranty obligations for automobile batteries it sold with such a warranty and to notify eligible consumers. A Philadelphia-area home builder, The Korman Corporation, agreed to repair defects in houses it has built or reimburse eligible homeowners for repairs they have already made. Homeowners of houses sold with a written warranty will be given the opportunity to arbitrate warranty disputes through an informal dispute settlement program. Craftmatic Comfort Mfg. Corp. and Craftmatic/Contour Organization, Inc., two sellers of electric adjustable beds, agreed to honor their warranties fully and promptly, and to tell consumers, in advance, that they are responsible for returning the bed or any part of it at their own expense in order to obtain warranty service. In a final adjudicative consent agreement Ward Corporation, a major Washington, D.C. area home builder, agreed to make repairs or pay homeowners for valid new-home construction defects covered under the written warranty and costing $500 or more to fix. Wards also agreed to set up an arbitration mechanism for future home buyers, and to stop misrepresenting its warranty obligations.

Several consent agreements were also obtained in the deceptive sales area. Sentronic Controls Corporation and Wein Products, Inc. agreed not to claim that ultrasonic pest control devices eliminate insects and rodents, or to make any other efficacy or performance claims, without competent and reliable scientific substantiation. Porter Realty, a real-estate brokerage company, and Irvin Porter, an officer of the company, agreed not to misrepresent the value and potential use of land, settling charges as to Porter Realty in the Commission's complaint against Southwest Sunsites, et al. In a proposed consent, Larry Brog, former chief executive of Meadow Fresh Farms Inc. a nationwide company that marketed Meadow Fresh White, a dry milk substitute, agreed to have scientific evidence for any future claims he makes about the product or other food products.

The Commission also issued an administrative complaint against Roy Brog, president of Meadow Fresh Farms. Roy Brog is charged with making unsubstantiated claims about the shelf life of Meadow Fresh White and its ability to reduce cardiovascular disease.

In the product information area, a final consent agreement was obtained with the manufacturer and seller of "Sky Genie Descent Systems," safety devices used by individuals working on or descending from tall buildings or other heights. Descent Control, Inc., agreed to substantiate its advertising claims, revise its operating instructions and inform users of previously undisclosed safety information.

The Commission obtained a settlement from Theodore Weiswasser for violating a 1981 preliminary injunction issued in the Paradise Palms Vacation Club proceeding. Weiswasser was ordered to pay $250,000 into a consumer restitution fund for making misrepresentations in the sale of timesharing in a vacation resort. Three principals of Kitco of Nevada, Inc., Duane F. Snelling, John E. Farkas, and Craig A. Jesinoski, were permanently enjoined from misrepresenting business opportunities and ordered to pay $531,949 in restitution to purchasers of their "work at home" business opportunity.

The Commission filed a complaint in federal district court seeking a permanent injunction and consumer redress against three individuals, Rebecca L. Kelley, Debbie Tanner, and Bryan M. Hall, for allegedly making false claims that they could help couples adopt children from Mexico. The complaint charges that they misrepresented the status of "pending" adoptions and the procedures they would follow, such as placing fees in escrow and working through a Mexican attorney. The Commission also filed a complaint in federal district court seeking preliminary and permanent injunctions and consumer redress against four individuals for violations of the FTC Act in the sale of business opportunities. Michael Kaplan, Jerome Kaplan, Robert MacKenzie Davis, Jr., and Richard Wiley have employed a series of corporations including, Certified Security Systems, to sell distributorships for high-tech products such as energy savings devices and home burglar alarms systems.

An Administrative Law Judge ruled that Figgie International, Inc. knowingly made false performance claims for its "Vanguard" heat detectors and, contrary to their ads, did not give sufficient warning to enable occupants to escape residential fires safely. In the Orkin Exterminating Co., Inc. proceeding, an Administrative Law Judge ruled that the company must roll back annual renewal fees for customers whose original termite-control agreements called for fixed annual fees. Both decisions are on appeal to the Commission.

The Commission issued a final order reversing a 1982 ruling of an Administrative Law Judge who had dismissed the charges against Southwest Sunsites, Inc. The Commission ordered the company to stop misrepresenting the value and potential use of the land. In another final order, the Commission ruled that International Harvester Company had failed to adequately disclose to consumers that its gasoline-powered tractors were subject to a safety hazard known as "fuel geysering" even though the company knew of the potential danger. The Commission found that the failure to disclose was an unfair practice that violated the law.

The Commission approved the final Used Car Rule requiring dealers to make specified disclosures, including who must pay for repairs after a sale, in a Buyers Guide placed in the side window of each used car offered for sale.

A Notice of Proposed Rulemaking was published by the Commission proposing modifications to the Pre-Sale Availability of Written Warranty Terms Rule. The current rule requires retailers to make warranty texts available to customers prior to purchase using one of four specified methods. The proposed amendment would reduce the costs of complying with the Rule by providing retailers with a choice of displaying the warranty text near the product or making it readily available to any customer upon request. In another warranty-related matter, the Commission announced final revisions to its Guides Against Deceptive Advertising of Guarantees. The guides were revised to simplify the advertising of warranty coverages.

The Commission voted to terminate the Hearing Aid rulemaking proceeding after considering evidence that the overwhelming majority of hearing aid buyers are satisfied with their purchases. According to a survey submitted with the staff recommendation, most hearing aid sellers are offering buyers trial periods and warranties to deal with problems that might occur, as would have been required by the rule.

The Ford Motor Company's Consumer Appeals Board and the Residential Warranty Corporation were granted two year limited exemptions to the Commission's Informal Dispute Settlement Procedures Rule. These exemptions allow the companies to use mediation prior to arbitration as part of their dispute resolution procedure.

Credit Practices

The Commission obtained several consent agreements for alleged violations of the Fair Credit Reporting Act (FCRA). The Hospital and Health Services Credit Union and Associated Dry Goods Corp. have agreed to notify former credit applicants that they were denied credit on the basis of information from a credit bureau or third party, and to provide the applicant with the name and address of the bureau, or the nature of third party information, upon request. Under a proposed consent order, the Wright-Patt Credit Union agreed to tell credit applicants that they were denied credit because of insufficient information in their credit reports, and to give consumers the name and address of any credit bureau that provided the reports used as the basis for denying credit. In an consent agreement accepted and placed on the public record, Federated Department Stores, Inc., one of the nation's largest retailers, agreed to tell credit applicants when it uses information from credit reporting agencies as a basis for denying credit and to tell rejected applicants the name and address of the credit reporting agencies it contacted. The agreement settles charges that Foley's, a Federated division operating 14 department stores in Texas, repeatedly violated the FCRA when denying credit applications.

Winkelman Stores, Inc., a Detroit-based retailer of women's clothing, agreed to pay $65,000 in civil penalties to settle charges it violated certain provisions of the Equal Credit Opportunity Act (ECOA) and the Fair Credit Reporting Act (FCRA) when denying credit applications. The corporation has agreed to comply with the Acts in the future, and to review credit applications it has rejected in the past two years and send appropriate ECOA and FCRA notices to all consumers who have not received them.

The Commission also obtained a consent agreement for alleged violations of Section 5 of the FTC Act. Service One International Corp., a national credit-counseling service doing business as First Credit Services, agreed not to misrepresent its ability to assist consumers in obtaining MasterCard or Visa credit cards. The company also agreed not to misrepresent the terms or amounts of refunds it offers, and to give previous customers denied credit the option of receiving full refunds or participating in the new credit-counseling service without additional charges.

Nash Phillips/Copus, Inc., one of the nation's largest home builders, agreed to a $300,000 civil penalty consent decree to settle charges it violated the Truth In Lending Act (TILA). The company agreed to provide the annual percentage rate in any of its credit advertisements that state an interest rate, and comply with all requirements of the TILA. The Commission took this action as part of its real estate credit advertising project designed to increase compliance with credit advertising laws.

Two consumer loan companies agreed to civil penalty consent decrees to settle charges that they discriminated against elderly credit applicants on the basis of their age and reliance on retirement income, in violation of certain provisions of the Equal Credit Opportunity and Fair Credit Reporting Acts. Fidelity Acceptance Corp. and Allied Finance Co. will pay civil penalties of $235,000 and $125,000 respectively, and have agreed not to discriminate against the elderly in the future, to comply with federal credit laws, and to provide previously rejected applicants with the notices these laws require.

The Commission filed two actions in federal district court under Section 13(b) of the FTC Act. Evans Products Company and its finance subsidiary, Evans Financial Corp., were charged with falsely and deceptively representing that they would provide buyers of thousands of homes sold through two of their housing divisions with guaranteed long-term mortgage loans, often at low interest rates. The Commission alleges that this misrepresentation caused buyers severe economic and other injury, and resulted in many of them losing their homes. The matter is pending appeal of a court decision denying the request for a preliminary injunction. The complaint filed against Nationwide Mortgage Corporation, et al. charges three companies and nine individuals with allegedly misrepresenting the terms and the duration of the loans they offered. Two of the companies and two individuals were also charged with violating the Truth In Lending Act. The defendants allegedly collected fees in excess of 30% of the loan, and are charged with causing more than 100 Washington D.C. area homeowners to lose their homes, file for bankruptcy, or seek refinancing at additional cost.

The Credit Practices Rule, designed to protect consumers from unfair or deceptive practices by creditors regulated by the FTC, went into effect in March, 1985. The Rule covers any agreement by which consumers get credit for any personal purpose, except to buy real estate. In May, 1985, the Commission published staff guidelines explaining the procedures staff will follow in handling state exemptions from the Rule.

Service Industry Practices

Several actions were taken in matters involving misrepresentations in the sale of oil and gas leases. Charles E. Weller, a former officer of Alaska Land Leasing, Inc., agreed to a consent order requiring him to contribute $60,000 to a consumer redress fund. In an order issued by the district court, J&R Marketing Corp. and its principal officers, Ray Belitsky and James Bianco, are required to pay $700,000 into a consumer redress fund. Settlements were also reached with two defendants in the Commission's suit against U.S. Oil & Gas Corp. The settlements require Martin Rotberg to pay $85,000 and Milton Sand to pay $225,000 in consumer redress. The Commission filed criminal contempt charges against David J. Swain and Michael

Peter Nissen, principal officers of the Trans-Alaska Energy Corp., for allegedly transferring or selling assets after a temporary injunction containing an asset freeze was ordered by the district court.

A federal district court ordered defendants in the Kimberly International Gem Corp. suit to pay $280,000 in consumer redress to settle charges they misrepresented the value of colored gemstones sold as investments. Gemstone purchases by individual consumers ranged from a few thousand dollars to tens of thousands of dollars. The court also issued stipulated permanent injunctions and default judgments prohibiting the defendants from making false or deceptive claims about gemstones or other investments.

In a final consent agreement, the Montana Board of Optometrists agreed not to prohibit optometrists in that state from disseminating truthful, nondeceptive advertisements, including price-related terms or claims of professional superiority. In a judgment entered in federal court, A & A Laboratories, Inc. was permanently enjoined from misrepresenting to consumers its ability, based on a hair analysis, to accurately measure the element content of a person's body or to recommend vitamin, mineral, or other dietary supplements to correct chemical excesses and deficiencies.

The Commission terminated its Standards and Certification rulemaking proceeding. The rule would have imposed industrywide procedures on standards developers and certifiers for dealing with restraint-of-trade complaints. The Commission determined that a recent Supreme Court decision has prompted the industry to make reforms and lessened the need for a rule.

The Commission began its Ophthalmic Practice (Eyeglasses II) rulemaking proceeding to determine whether total bans on certain forms of commercial ophthalmic practice should be removed. Such restraints appear to increase prices without providing offsetting benefits in the form of improved quality of service. The Commission released the staff report on Alternative Legal Delivery Systems. The report which examined the impact of state regulations on lawyers' marketing practices, found that restrictions that prevent lawyers from advertising their services may limit access and increase legal costs for consumers. No rule is planned in this area. The staff report on the Health Spas Rule was published and comments were solicited on the staff's recommendation to terminate the rulemaking.

Enforcement

As required by a 1984 FTC consent order, a nationwide mediation/arbitration program was established by General Motors Corp. to allow consumers with engine or transmission problems the opportunity to obtain reimbursement for repair expenses. During the first ten months of the program, GM paid 9,529 consumers in five areas more than $3.3 million, with the average consumer complaint being resolved in 40 days. This data represents a sample of only five of 150 geographic areas where the program is operating and covers reimbursements made for only three specific types of problems.

The Commission solicited comments on the economic impact of requiring retailers to post octane ratings on gasoline pumps as part of its review of the Octane Rule under the Regulatory Flexibility Act. The review of the Home Insulation (R-Value) Rule under this Act was concluded with no modifications to the rule required. The Regulatory Flexibility Act requires the Commission to conduct a periodic review of its rules to determine whether they have a significant economic impact on small businesses.

The Commission has adopted final regulations implementing amendments to the Textile Fibers Products Identification Act and the Wool Products Labeling Act, to reflect the requirements of new legislation governing country-of-origin labeling. All textile and wool products covered by these regulations will now be required to have labels to help consumers identify the country of origin of products at the time of purchase.

The Commission voted to begin a rulemaking proceeding to amend the rule on Retail Food Store Advertising and Marketing Practices. The proposed amendments would allow grocers to comply with the rule by offering rain checks or substitutes of comparable value when they run out of advertised items. Grocers would also be able to advertise special purchases or other items that are available only in limited quantities, if they clearly disclose that fact to shoppers.

Final staff compliance guidelines were published to help funeral providers comply with the Funeral Rule. Final staff guidelines to aid states in submitting exemption petitions from the rule were also published.

The Commission issued an enforcement protocol for the Franchise Rule, outlining some of the factors it will consider in deciding whether to initiate law enforcement actions for violations of the rule.

Several suits brought by the Commission involved violations of the Franchise Rule. A federal court ordered Royco Automobile Parts, Inc. and its president, Robert Sowerby, to pay $567,000 in consumer redress and $400,000 in civil penalties for allegedly misrepresenting facts involving distributorships for the sale of automotive tune-up parts. According to the Commission, consumers who invested in Royco franchises lost an average of $14,000 each -- some more than $50,000 -- because of the company's false statements. Federal Energy Systems and one of its officers were ordered to pay more than $3 million in consumer redress and over

$1.6 million in civil penalties to settle charges that the company violated the rule's disclosure requirements and made false and deceptive claims about its franchises. The company sells franchises for the sale and installation of equipment that automatically controls the heating and air conditioning of commercial buildings. Enamelcraft, Inc. agreed to pay a $15,000 civil penalty for allegedly misrepresenting the services and merchandise it offered. The Commission filed a complaint against Tuff-Tire Industries, Inc., charging the company with misrepresentating the effectiveness of its "Mr. Tuff-Tire" automotive tire sealant and the profitability of its franchises. The Commission also filed suit against Control Technology, Inc. for allegedly making misrepresentations concerning its franchises for energy-management systems.

Civil penalties were ordered in three suits involving violations of the Mail Order Rule. The two officers of Me-Books Publishing Company, Jerry Klein and James Maher, agreed to pay $20,000 in civil penalties, and JS&A Group, Inc. and its president, Joseph Sugarman, agreed to a $115,00 civil penalty consent judgment. Two mail order marketers, Norman Chanes and Monroe Caine, agreed to pay $175,000 each in civil penalties and consumer redress to settle charges they repeatedly violated the rule and misrepresented their merchandise. The marketers allegedly controlled five mail order companies, including Encore House Inc. The Commission filed a complaint in federal district court charging Del Monte Corporation with violations of the rule in the sale of its "Country Yumkin Dolls." The company is charged with failing to ship merchandise in a timely manner and failing to meet the notification provisions of the rule.

The Commission modified a order against Grolier, Inc. to change the wording and presentation required in advertisements and sales material, and the timing of required disclosures to prospective employees. A 1982 consent order against American Motors Corp. and Jeep Corp. requiring safety-warning stickers on Jeep CJ utility vehicles was set aside. The National Highway Transportation Safety Administration now requires similar warning stickers on all utility vehicles. Brooks-Rent-A-Car was ordered to pay civil penalties for violating a 1973 Commission cease and desist order.

Policy and Evaluation

In addition to its cases, rulemakings, and other activities to remedy problems in the market, the Commission has traditionally been active in providing analytical support and expert opinion to other government agencies. Some Commission fiscal 1985 filings and testimony, in which the Bureau of Consumer Protection played a major role, are represented below.

Staff comments concerning practices in various professional fields were submitted to several states. For example, comments were presented to the Massachusetts Board of Registration in Medicine indicating opposition to proposed restrictions on mid-level health professionals such as physician assistants and nurse practitioners Comments were filed with the North Dakota State Board of Optometry supporting a proposal to broaden the scope of permissable advertising by optometrists. The Commission also addressed regulatory changes that have been proposed by the Virginia Boards of Dentistry, Medicine, Optometry, and Veterinary Medicine involving restraints on nondeceptive advertising and restrictions on commercial practice. A report was presented to the Legislative Council of Delaware concerning proposed legislation that would affect the ability of optometrists to use trade names, engage in direct solicitation, and operate as a corporate practice.

Commission comments were filed with the Federal Reserve Board on its proposed amendments to Regulation Z which implements the Truth-in-Lending Act. The amendments would require lenders to provide more information about adjustable rate mortgages (ARMs).

The Commission approved the filing of an amicus brief in Indian Head, Inc. v. Allied Tube & Conduit Corp., 81 Civ. 6250, of the Southern District of New York (S.D.N.Y.), arguing that Noerr immunity should not apply to a manufacturer's actions to influence the standards development process of a private standards organization.

Office of Consumer and Business Education

The Office of Consumer and Business Education coordinates an education program aimed at providing information to consumers and industry on major Commission decisions, programs, statutes, and rules. This allows informed choices and competitive business practices to function freely in the marketplace. Thus, the consumer and business education program is a cost-effective way of obtaining compliance with the law.

In fiscal year 1985, the Office developed and distributed, via satellite, two television video features on the Commission's Used Car Rule. This campaign informed consumers about the new rule and the availability of brochures on the subject in both English and Spanish. To encourgage compliance with the rule, 89,000 copies of the "Dealer's Guide to the FTC Used Car Rule" were distributed nationally to all dealers prior to the rule's effective date.

Three major publications were developed and distributed as joint efforts. Two print campaigns were produced with the American Association of Retired Persons (AARP) and one with American Express. The AARP publication, Your Home, Your Choice, explained housing options for the elderly, and Healthy Questions explained how to select and talk to physicians, pharmacists, dentists, and vision care specialists. The American Express joint publication effort, Who's Got Your Number, concerned credit and charge card fraud.

In addition, several new and updated fact sheets were distributed. They include such titles as Solving Credit Problems, Buying Time for Watches, Emergency Escape Masks, What's Going on at the FTC, and Holiday Shopping. In total, over one million consumer and business publications were distributed by the FTC in fiscal 1985. The Commission also won three communication awards in fiscal 1985 for its consumer education campaigns in television (Funeral Rule PSA, 1984), radio (Used Car Buying PSA, 1983), and print (Healthy Questions, 1985).

ECONOMIC ACTIVITIES MISSION

FISCAL YEAR 1985 ACCOMPLISHMENTS

During fiscal 1985 the FTC's Bureau of Economics continued to provide economic support to the agency's antitrust and consumer protection activities, to advise the Commission about the impact of government regulation on competition, and to gather and analyze information on the American economy.

The primary mission of the FTC is to enforce the antitrust and consumer protection laws. In 1985, the Bureau of Economics continued to provide guidance and support to those activities. In the antitrust area, economists offered advice on the economic merits of potential antitrust actions. Situations where the marketplace performed reasonably well were distinguished from situations where the market might be improved by Commission action. When enforcement actions were initiated, economists worked to integrate economic analysis into the proceeding and to devise remedies that would improve consumer well-being.

In the consumer protection area, economists provided estimates of the benefits and costs of alternative policy approaches. Potential consumer protection actions were evaluated not only for their immediate impact, but also for their longer run effects on price, product variety, and consumer welfare.

Although the FTC is primarily a law enforcement agency, it is also charged with collecting, analyzing, and publishing information about the nation's business firms. Much of this work is undertaken by the Bureau of Economics. In 1985, economists conducted a number of studies on a broad array of topics in antitrust, consumer protection, and regulation. Research economists were also available to provide Commissioners with economic advice.

Antitrust

In the antitrust area economists participated in all investigations of potential antitrust violations and in the presentation of cases in support of complaints. Economists also advised the Commission on informal antitrust matters. These activities absorbed the bulk of the Bureau's resources assigned directly to support the Commission's antitrust responsibilities.

Certain studies undertaken by the Bureau also support indirectly the Commission's antitrust responsibilities. During the year, economists began or continued work on resale price maintenance, international competition, the effects of antitrust remedies in experimental markets, and competition in hospital and grocery markets.

Consumer Protection

In the consumer protection area economists prepared well over 100 memoranda evaluating requests from BCP attorneys for full phase investigations, consent negotiations, consent settlements, and complaints. The division also worked on several BCP impact evaluation studies including an analysis of the benefits and costs of extending the FTC's mail order rule to phone orders, was extensively involved in preparing for release to the public data generated by the GM defects settlement, and prepared an analysis of the evidence on the effect of alcohol advertising on alcohol consumption and abuse in response to a petition for rulemaking.

In addition, studies were completed and sent to Congress on the role of information in the markets for auto insurance and life insurance. Work also continued on studies of the new and used car markets and was completed on a study of the generic drug market.

Regulatory Analysis

In the regulation area, economists continued their participation in the Commission's Competition and Consumer Advocacy Program. As part of this work, comments on a variety of regulations were filed with several government agencies. Two sets of comments were filed with the Federal Energy Regulatory Commission (FERC) concerning the regulation of natural gas pipelines. These comments sought to encourage the FERC to rely on competition rather than extensive regulation to the maximum extent possible. Comments were also filed with the Interstate Commerce Commission supporting that Commission's efforts to deregulate rail traffic carried in boxcars. These comments sought to demonstrate that deregulation would not cause inefficient utilization of the nation's rail system.

Much of our regulatory activity during the year was directed toward analysis of various proposals to restrict international trade. In February, two studies relating to international trade restrictions were released. The first estimated the costs imposed on U.S. consumers and the U.S. economy because of tariff and quota restrictions on imports into the U.S. The second study examined the factors contributing to the decline in employment in the U.S. auto industry in the late 1970's and early 1980's. In addition, economists participated in two proceedings at the International Trade Commission seeking limits on imports of specific products -- potassium permanganate and shoes.

Work was nearly completed on a study of state Blue Sky regulation of securities and the role of building codes in innovation.

Line of Business

When the Commission terminated data collection in 1983, it decided to concentrate limited resources upon research using Line of Business data that already exists. During fiscal 1985, the Annual Line of Business Report for 1977, which contains industry financial aggregates and which is the last year for which data were collected, was published. Numerous research studies were initiated, including a large-scale examination of structural explanations of market performance, and a study of the sources of scope economies in large manufacturing firms. A large number of papers were released, including several related to an ongoing study of merger effects.

Mr. SMITH. Do you have a statement?

SUMMARY STATEMENT

Mr. CALVANI. Yes, Mr. Chairman, Mr. Dwyer. I'm very pleased to be here today to discuss the Federal Trade Commission's fiscal 1987 budget request and answer your questions. Both of you gentlemen are exceedingly busy, and I'll not tax your patience this afternoon by reading a statement into the record. Rather, what I would like to do is submit my statement as printed remarks.

With your indulgence, I'd like to take a moment or two and highlight the proposed budget's most important features.

The FTC's proposed budget for fiscal 1987 represents approximately a one percent decrease in real terms from the staffing levels appropriated for the agency in fiscal 1986. The 1987 request totals, as the Chairman has indicated, $69,045,000, which translates out as 1,154 workyears. These figures reflect an increase of $3.5 million and a decrease of 14 workyears over the agency's fiscal 1986 levels of $65.5 million and 1,168 workyears.

In the opinion of the Commission, the 14 workyear reduction reflects a manageable change. In addition, these staffing reductions will not affect the regional office operations. All workyear cuts are targeted for headquarters.

The commission's fiscal 1987 budget requests funding for the agency's three missions as follows:

Maintaining competition—or antitrust—$31.1 million and 518 workyears.

Consumer protection, $33.4 million and 560 workyears.

And Economic activities, $4.6 million and 76 workyears.

The Maintaining Competition Mission for 1987 reflects a decrease of six workyears from fiscal 1986. The Consumer Protection Mission reflects a decrease of seven workyears from fiscal 1986, and the Economic Activities Mission budget reflects a decrease of one workyear from fiscal '86. All of these reductions—will come from support services. No direct enforcement workyear reduction is planned.

Seven of these workyears, in terms of staff support, will come from presently-unfilled positions in our general counsel's office. Five positions will come from management services; two of these are currently unfilled, and we expect three to come from attrition. Two positions will come from the office of the secretary; one of these is currently vacant, and we expect one employee to take advantage of early retirement.

GRAMM-RUDMAN-HOLLINGS REDUCTIONS

The 4.3 percent sequestration mandated under Public Law 99-177 for fiscal 1986 amounts to $2,817,000. This means the agency's adjusted fiscal 1986 base beginning on March 1 will become $62,683,000 and 1,118 workyears.

Now, please permit me an additional minute or two to describe the Commission's plan for accommodating this reduction in funding. A near-total hiring freeze is now in place at the Commission. While this action will not, in itself, capture the necessary $2.8 million, it is expected to recoup approximately 40 percent of the sequestration amount.

Spending restrictions have been placed on such accounts as travel, training, contracts, equipment, printing, and the use of outside consultants. Combined, these budgets only total 6.7 percent of the Commission's $65.5 million appropriation. Thus, sizeable reductions are required in these budgets to capture a small percentage of the $2.8 million sequestration. It is currently projected that only 25 percent of the reduction can come from these critical support accounts.

The Commission has asked OPM to grant it authority to offer early retirements. If this authority is granted, the Commission can save yet another 10 percent of the sequestration figure in payroll costs.

The remaining 25 percent of the cost is expected to come from furloughing agency staff for an estimated four to four and one half days.

Mr. Chairman, under this plan—approved by a majority of the Commission, with me dissenting—we expect no significant dollar reallocation among missions, nor is any budgeted program expected to be abolished.

That concludes my prepared statement. I would be delighted to try to answer your questions.

[Statement of Mr. Calvani follows:]

PREPARED STATEMENT

OF

TERRY CALVANI

ACTING CHAIRMAN

FEDERAL TRADE COMMISSION

BEFORE THE

SUBCOMMITTEE ON COMMERCE, JUSTICE, STATE, THE

JUDICIARY, AND RELATED AGENCIES

OF THE

COMMITTEE ON APPROPRIATIONS

U.S. HOUSE OF REPRESENTATIVES

FEBRUARY 19, 1986

Mr. Chairman and Members of the Subcommittee: I am pleased to appear before you today to discuss the Federal Trade Commission's fiscal 1987 budget request and to answer your questions.

Congress has charged the Commission with protecting the American public from "unfair methods of competition" and "unfair or deceptive acts or practices" in the marketplace. Thus, the Federal Trade Commission has an ongoing responsibility to ensure that American consumers are able to enjoy all the advantages of a vigorously competitive market -- free of unfair, fraudulent, and deceptive practices. In my opinion, the fiscal 1987 budget we are discussing today will permit us to continue to meet this important responsibility.

Fiscal 1987 Budget Request

The FTC's proposed budget for fiscal 1987 represents approximately a one percent decrease in real terms from the staffing levels appropriated for the agency in fiscal 1986 . The 1987 request totals $69,045,000 and 1,154 workyears. These fiscal 1987 figures reflect an increase of $3.5 million and a decrease of 14 workyears over the agency's fiscal 1986 levels of $65.5 million and 1,168 workyears.

In the opinion of the Commission, the 14 workyear reduction reflects a manageable change between fiscal years. In addition, these staffing reductions will not affect regional office operations, as all workyear cuts are targeted for headquarters.

Resources for 1987 will continue to be directed against business practices that truly harm competition and injure consumers, such as price fixing and mergers that substantially lessen competition. In fiscal 1987, the Commission will work directly with the business community to achieve voluntary compliance through education and articulation of policy.

Since 1981, the agency's workforce has been trimmed and its annual expenditures reduced. This long history of reducing staff while maintaining enforcement effectiveness will continue into fiscal 1987.

The Commission's fiscal 1987 budget requests funding for the agency's three missions as follows: Maintaining Competition - $31.1 million and 518 workyears; Consumer Protection - $33.4 million and 560 workyears; and Economic Activities - $4.6 million and 76 workyears.

Maintaining Competition Mission

The Maintaining Competition Mission for fiscal 1987 reflects a decrease of 6 workyears from fiscal 1986. This reduced budget will provide sufficient enforcement resources to pursue aggressively the goals and objectives of the mission. All staff reductions are in the area of support services, and no direct enforcement workyear drop is planned for this mission.

Among other things, the $31.1 million we propose be allocated to the Maintaining Competition Mission will permit the Commission to:

- Investigate alleged restrictions on competition in the delivery of health care services, a major sector of the economy that has been characterized for many years by rapidly rising consumer prices;

- Continue our emphasis on finding and eliminating restraints among direct competitors that raise or maintain prices above competitive levels or otherwise harm consumers;

- Challenge anticompetitive mergers that could lead to higher prices, restricted production, diminished quality, or other harms to consumers;

- Assure compliance with outstanding Commission orders;
- Render advisory opinions, to increase business conformance with the laws we enforce;
- Respond to numerous requests from Congress for our assessment of the competitive impacts of proposed legislation; and
- Articulate the competitive consequences of proposed policy changes contemplated by regulatory agencies.

Consumer Protection Mission

The Consumer Protection Mission for fiscal 1987 reflects a decrease of 7 workyears from fiscal 1986 levels. Support cuts also account for all of these reductions. The $33.4 million we propose be allocated to the Consumer Protection Mission will provide for a strong program. Specifically the Commission will:

- Work aggressively to educate consumers of their rights and businesses of their responsibilities under the consumer protection laws and rules we enforce;
- Target our consumer protection activities on cases involving substantial consumer injury -- particularly on cases involving fraud or deceptive sales or marketing practices, systematic breach of contract, false or deceptive advertising, and credit law violations;
- Provide resources to complete litigation and pending rulemakings in major program areas and to monitor compliance with existing rules and orders; and
- Work closely with both state and federal agencies to analyze the effects of their rules and regulations on the ultimate consumer.

Economic Activities Mission

The Economic Activities Mission budget request is for 76 workyears and $4.6 million. These resource levels reflect a decrease of one workyear from fiscal 1986 levels. No direct mission workyear cuts are planned for this Mission.

The $4.6 million allocated to the Commission's Economic Activities Mission will be used to provide economic analysis for antitrust and consumer protection investigations, cases, and rulemakings and to stress its traditional emphasis on independent analysis and reporting on important issues concerning the economy. For example, during the 1987 fiscal year, we expect the Economic Activities Mission to undertake or complete studies on the following topics:

- Competitive or regulatory problems of small businesses;
- Market for life care homes and other extended care options for the elderly;
- Regulation and competition in health care markets;
- Determinants and impacts of conglomerate mergers, takeovers, and sell-offs;
- Utilizing litigation for competitive purposes; and
- Use of stock market data to evaluate the competitive effects of proposed mergers.

Gramm-Rudman-Hollings (P.L. 99-177)

The 4.3 percent sequestration mandated under P.L. 99-177 for fiscal 1986 amounts to $2,817,000. This means the agency's adjusted fiscal 1986 base beginning March 1 will become $62,683,00 and 1,118 workyears. The following steps have been taken to adjust to these cuts:

- A near total hiring freeze is now in place at the Commission. While this action will not in itself capture the necessary $2.8 million, it is expected to recoup approximately 40 percent of the sequestration amount.
- Spending restrictions have been placed on such accounts as travel, training, contracts, equipment, printing, and the use of outside consultants. Combined, these budgets only total 6.7 percent of the Commission's $65.5 million appropriation. Thus, sizeable reductions are required in these budgets to capture a small percentage of the $2.8 million sequestration. It is currently projected that only 25 percent of the sequestration reduction can come from these critical support accounts.

- The Commission has asked that OPM grant it authority to offer early retirements. If this authority is granted the Commission can save yet another 10 percent of the sequestration figure in payroll cost.
- A majority of the Commission has determined, over my dissent, to absorb the remaining 25 percent of the cut by furloughing the agency's staff.

Mr. Chairman, under this plan, approved by a majority of Commission, no significant dollar reallocation is expected to occur among missions nor is any budgeted program expected to be abolished. The agency's primary objectives when adjusting to the President's sequestration are to:

- protect high priority law enforcement activities from significant cuts;
- avoid, if at all possible the unnecessary harm to Commission employees; and
- assume P.L. 99-177 will continue in force through fiscal 1991.

Space Consolidation

The fiscal 1987 figures before you were developed on the basis that the consolidation of our headquarter satellite office locations will be complete by July 1986. Because consolidating these offices would reduce direct costs and save taxpayers millions of dollars over the long-term, the Commission will continue to work unfailingly towards accomplishing this important management initiative in a timely manner.

Reauthorization

It is my sincere hope that this will be the year the Commission achieves reauthorization. The reauthorization bills the commerce committees approved last year contain important clarifications of the Commission's powers and articulations of legislative intent.

As you will recall, the Commission might well have been reauthorized but for the battle over the professions jurisdiction in 1982 and the hiatus created by the Supreme Court's 1983 Chadha decision holding the legislative veto unconstitutional. But these problems appear to be behind us.

Concluding Remarks

Mr. Chairman and Members of the Committee, I hope you can see from our fiscal 1987 budget submission that the Commission is determined to carry out effectively its statutory mandates. The agency's 1987 request reflects the cost savings and efficiencies associated with the successful review and alteration of past policies and practices.

I feel strongly that the resource level proposed for fiscal 1987 coupled with the policy directions just outlined will enhance our overall operating efficiency, and that the budget before you is adequate for us to meet our Congressional mandate.

* * * * *

Mr. Chairman and Members of the Committee: that concludes my prepared statement. I would be happy now to respond to your questions.

1987 INCREASES AND DECREASES

Mr. **Smith**. I guess you explained this, but I'm still not clear. You have an increase in dollars——

Mr. **Calvani**. Yes, sir.

Mr. **Smith** [continuing]. For 1987 compared to 1986——

Mr. **Calvani**. That's right.

Mr. **Smith** (continuing). After Gramm-Rudman?

Mr. **Calvani**. That's right.

Mr. **Smith**. But you have a reduction in program activity?

Mr. **Calvani**. We have a reduction of 14 in workyears from our original appropriated base of 1,168.

Mr. **Smith**. In workyears?

Mr. **Calvani**. Yes. In workyears there is a reduction but in cost there is an increase that's associated with some costs that will be going up over which we do not have full control. There will be expected promotions, et cetera; we are taking into account some projected increases in rent costs, et cetera. So we will have some increase in the size of the budget, and yet, at the same time, some decrease in the number of workyears that will be devoted to the agency's enforcement mandates. Essentially, Mr. Chairman, those cost increases are overhead.

Mr. **Smith**. They must be overhead because we're not contemplating any increase in salaries, are we?

Mr. **Calvani**. That's right. But we will see, over a period of time—for example, within grades, that could add to salary cost.

Mr. **Smith**. Okay.

GRAMM-RUDMAN-HOLLINGS REDUCTIONS

This 4.3 percent reduction: Will you be having any RIF's or furloughs?

Mr. **Calvani**. No, sir no RIF's. Under the proposal adopted by the Commission we do not anticipate that there will be either reductions in force or the need to request a reprogramming.

Mr. **Smith**. What about furloughs?

Mr. **Calvani**. Yes, sir. We are anticipating furloughs of approximately four and one half days.

Mr. **Smith**. No reprogrammings, either?

Mr. **Calvani**. No reprogramming.

SPACE RENT

Mr. **Smith**. With a 4.3 percent reduction, how do you handle your space rent obligations?

Mr. **Calvani**. Our space rent obligations?

Mr. **Smith**. Yes.

Mr. **Smith**. I'm talking about 1986.

Mr. **Williams**. We assume no change in our space rent under the sequestration. We have been informed that that amount will not be adjusted.

Mr. **Smith**. So you don't reduce space rent, so that means you have to take more than 4.3 percent out of other things to make up for what you didn't take out.

Mr. **Williams**. Precisely.

TELECOMMUNICATIONS SYSTEM

Mr. SMITH. What about the telecommunications system? What can you tell us about that?

Mr. WILLIAMS. Under the sequestration?

Mr. SMITH. No, the status of it overall.

Mr. WILLIAMS. We have plans under the consolidation, to install a new telecommunications system, and that's currently underway. We would also install a new system in the headquarters building, as well.

Mr. SMITH. You'd go ahead with that?

Mr. WILLIAMS. Yes, sir.

Mr. SMITH. Is that very expensive?

Mr. WILLIAMS. It provides us some long term cost savings. The initial capital cost we project to be a little over $1 million, between $1 million and $1.5 million.

COMPUTER SYSTEM

Mr. SMITH. What about the central computer system?

Mr. WILLIAMS. We plan no major changes in our central computer system.

Mr. SMITH. You don't?

Mr. WILLIAMS. We have recently upgraded our central facility and are now engaged in a study in the office automation area, trying to see how personal computers fit into our operation.

RELOCATION EXPENSES

Mr. SMITH. Do you have any money in here for relocation expenses?

Mr. WILLIAMS. No, sir. Relocation expenses are taken care of through a supplemental that was passed by the Congress last year, which was made available for two years. That money will be available to us this year.

Mr. SMITH. You're anticipating that will be sufficient?

Mr. WILLIAMS. Yes, sir. We hope so.

Mr. SMITH. Mr. Dwyer?

Mr. DWYER. Thank you, Mr. Chairman.

REVISION TO ANTITRUST LAWS

The President has proposed some sweeping changes in the Federal antitrust laws. Did the Commission have any input into that proposal?

Mr. CALVANI. No, Mr. Dwyer. Those proposals are being designed and proposed out of the executive branch of government, and we were not part of the working group. As an independent agency we did not participate, Mr. Dwyer.

Mr. DWYER. Well, if they were to become the law of the land, would it reduce your enforcement responsibilities?

Mr. CALVANI. Mr. Dwyer, I find that I get into a lot of trouble when I start talking about something that I don't know much about. And to be very frank with you, I have not as yet seen the proposals. I think it would be premature and probably irresponsible for me to comment on a proposal that I have not yet had an opportunity to read, much less study. So I'd be delighted to make comments to your office, to this committee, or to any other committee of the Congress after I've had an opportunity to actually read the proposed legislation and give it some thought. But to date, my only exposure to it has been what I've heard on the evening news and read in the morning paper. [Laughter.]

ACQUISITIONS BY FOREIGN FIRMS

Mr. DWYER. What about foreign firms acquiring American firms? How much of that went on last year, or how much is going on right now?

Mr. CALVANI. There is very significant merger/acquisition activity where one or both of the parties are truly transnational organizations, where they have operations or subsidiaries that are located abroad. For the most part, they are corporations that have their principal headquarters in the United States but also have operations that are located abroad. So for the most part, the transnationals or multinationals that we see merging are truly transnational corporations that have their principal situs in the United States. But there has been this past year some merger and acquisition activity, where the principal situs of the transnational or multinational corporation is located abroad. There's no question but there's been some significant activity.

Mr. DWYER. Do you have any cases where they were not multinational concerns but became multinational by a foreign concern acquiring an American concern?

Mr. CALVANI. Mr. Dwyer, I'm sure that there have been filings before the Commission that would resemble those facts; but off the top of my head I can't really come up with a case. I'd be delighted to submit for the record or to you personally cases that might have involved a firm that was not previously multinational, that became multinational by virtue of a particular acquisition.

Mr. Dwyer, if you look at most of the filings of corporations of any size today, a very large percentage of them have some transnational involvement; I mean, even companies that are basically regional—for example, from my area of the country in the southeast, you'll find that they may have some subsidiary or joint venture that's doing business in Canada or Mexico.

CONSUMER EDUCATION PROGRAM

Mr. DWYER. You have an education program in effect to alert consumers about business practices. Can you tell us something about that?

Mr. CALVANI. Sure. One of the principal interests of the Commission historically has been to provide information both to consumers and to businesses that we believe would be helpful to them. We find that serves not only an educational benefit to the consuming public, but it probably also reduces the amount of resources that we must dedicate to law enforcement because, very often, an informed consumer is a consumer that will not be taken advantage of by an unscrupulous business. So we have, over the years, dedicated some significant resources to public and business education, and we believe that we can devote that same emphasis to consumer education and business education in fiscal 1987.

I believe that we currently have programmed four professional workyears, approximately $30,000 in contracts, and approximately $75,000 in printing. And we hope to continue this during fiscal '87.

Mr. DWYER. That doesn't seem like an awful lot, $30,000 in contracts. Tell us about those contracts.

Mr. Calvani. Well, Mr. Dwyer, what we're doing increasingly—and I think that this comes at a significant savings to the American taxpayer—we're trying to find groups that are interested in cosponsoring education programs with us. I don't want to misstate the facts but I believe that we very recently had a program with the American Association of Retired Persons where they shared some of the costs with reference to consumer education.

What we're trying to do—and I recognize there's not a lot of dollars there; it's not a megabuck program—but we're trying to make those dollars go further by finding other interest groups that are willing to join with us in cooperative efforts. That way, everyone's dollars go further.

Mr. Dwyer. Well, I congratulate you on trying to stretch a buck. But by the same token, does that seem like a very ambitious program, considering the volume of business that goes on in this country and the size of the consuming public?

Mr. Calvani. Well, I agree with you. We're trying to make those dollars go as far as we can make them go.

Mr. Dwyer. Thank you, Mr. Chairman.

AUTHORIZATION STATUS

Mr. Smith. What about your authorizations?

Mr. Calvani. Mr. Chairman, that subject has been with us now for a long time. It is currently my understanding that the conferees have been named and that we anticipate a conference during the first week of March. At one point in time it was suggested that March 5 may be a date; I heard today that that date is may be on and may be off, but at any rate, I'm informed by the committee leadership of both the House and Senate that they hope to have a conference the first week of March. I'm keeping my fingers crossed.

gers crossed.

Mr. Smith. I didn't keep up with what they did in the Senate on that bill. Are the differences between the Senate and the House significant?

Mr. Calvani. Yes, sir, there are large numbers of differences between the two bills, but—

Mr. Smith. Significant differences?

Mr. Calvani. Well, I'm not sure I want to go to the point of saying that they're significant. Significant is a word about which reasonable people can differ. There are a large number of differences.

Having said that, either one of these pieces of legislation would be satisfactory to me. There are differences. There are areas where I prefer the House bill with reference to one aspect of it, and I prefer the Senate bill with reference to another aspect. But when we get down to the bottom line, we would be delighted to have either bill passed.

Mr. Smith. Well, I'm glad to have your testimony. We're going to have to keep in touch because we've got Gramm-Rudman, of course; that affects 1986. But for 1987, even though you've reduced your resources, I don't know how we're going to put '87 together. We can't have more dollars in very many agencies, even though you have a program reduction. We'll have to keep working and updating to see if there's any other place that we can cut dollars without doing damage to the mission.

Mr. CALVANI. Mr. Chairman, we look forward to working with you.

Mr. SMITH. Thank you.

Mr. CALVANI. Thank you, and thank you, Mr. Dwyer. And Mr. Chairman, I'd like to thank you for the excellent assistance that Mr. Bevels has provided us over this period.

Mr. SMITH. Thank you.

[Questions for the record and the answers thereto follow:]

QUESTIONS FOR THE RECORD FOR MR. SMITH

Question 1: What would be the impact on the activities of the Federal Trade Commission (FTC) if it received the same amount for FY 1987 that was appropriated for FY 1986 before sequestration with no other adjustment for uncontrollable items?

Answer 1: The FTC's 1987 budget request is for $69,045,000 and 1,154 workyears. Absent any changes in office space rent (the FY 86 to FY 87 increase is $2,739,000) a reduction of $3,545,000 and approximately 70 workyears would result if required to live within the $65,500,000 pre-sequestration amount for FY 86. This would mean a continuation of our present hiring freeze and possibly some limited reductions-in-force or furloughs.

Question 2: If the FTC received the same amounts in FY 1987 that it received in FY 1986 after sequestration, what would be the impact on agency activities?

Answer 2: Freezing the FTC's 1987 request of $69,040,000 at the agency's post-sequester level for 1986 of $62,683,000 would result in a $6,362,000 funding reduction. Because the Commission's budget consists primarily of compensation and benefit cost, and absent changes in space rent charges, a reduction of approximately $6.4 million would require a sharp drop in agency staffing. This level of funding would require reductions-in-force to achieve the required 125 workyear drop.

Question 3: What would be the impact on the FTC if it were to receive a reduction of 8.4 percent below the FY 1986 amount, adjusted for sequestration?

Answer 3: The figure FTC would receive in fiscal 1987 based upon an 8.4 percent reduction from the $62,683,000 base would be $57,418,000. This would result in a $11,627,000 reduction from our original 1987 request of $69,045,000. A reduction of this magnitude would result in a 234 workyear drop and thereby permit the agency to fund just 920 workyears. This drop would require reductions-in-force. This funding level would result in a 20+ percent staff reduction from our 1987 budget request.

Question 4: What action is the FTC taking to consider these possibilities . . . have you formed a task force or done any contingency planning?

Answer 4: The Commission recently completed a review of its programs where it seriously considered reductions-in-force to comply with the President's 1986 sequestration of 4.3 percent. In addition, senior management at the agency has reviewed numerous alternatives and options and is prepared to renew these efforts, should it become necessary. Thus, the agency has performed some contingency planning in regard to identifying low priority programs that might, at some later date, be considered for reduction or even abolishment.

The Commission has implemented a hiring freeze that is scheduled to continue through fiscal year end. This action will allow the FTC to enter fiscal 1987 at its lowest possible employment level. To more aggressively plan for and pursue the possibility of rather large appropriation cuts, which are not supported by the agency's budget request, without clear Congressional guidance, would probably result in serious morale problems at the agency and be of little benefit at this stage. The Commission would most likely revisit all possibilities once a clearly defined fiscal 1987 appropriation level is established by Congress.

Question 5: We are aware that the Public Printer, at the Government Printing Office, has certain initiatives to encourage Federal agencies to take maximum advantage of GPO commercial procurement contracts. Also, the new GPO electronic publishing procurements are now saving very substantial tax dollars. We would like to know what plans you may have to increase your reliance on GPO commercial procurements for both printing and electonic publishing.

Answer 5: We currently send to GPO the majority (90%) of FTC printing that is considered commercially procurable. We will continue to send this type of work to GPO for printing but we do not anticipate any large increases in volume.

QUESTIONS FOR THE RECORD FOR MR. RUDD

EFFECT OF FREEZE ON FY 87 BUDGET

Question: What would be the impact of a freeze in your FY 87 budget at the post-sequester FY 86 level of $62,683,000?

Answer: Freezing the FTC's 1987 request of $69,045,000 at the agency's post-sequester level for 1986 of $62,683,000 would result in a $6,362,000 funding reduction. Because the Commission's budget consists primarily of compensation and benefit cost a reduction of $6.4 million would require a sharp drop in agency staffing.

The table below provides a rough estimate of this possible staff reduction. Furloughs and/or reductions in force may be required to achieve any workyear drop that exceeds five percent within a single fiscal year.

Major Expense Category	%	1987 ($000)		
		Requested	Reduction	Revised
o Compensation Benefits.	73.5	50,714	5,515	45,199
o Space.................	13.0	8,945	415 1/	8,530
o All Other.............	13.5	9,386	432 1/	8,954
Totals.............	100.0	69,045	6,362	62,683
Workyears......		1,154	125	1,029
Percentage.....		100	11	89

1/ Because of notice periods and inflationary increases, much larger reductions in these two major expense categories are highly unlikely.

QUESTIONS FOR THE RECORD FOR MR. O'BRIEN

UNITED ENERGY RESOURCES, INC. - MIDCON CORPORATION MERGER CASE

Question: On September 20, the Commission objected to the proposed merger of United Energy Resources, Inc. of Houston and MidCon Corporation of Lombard, Illinois. Has the Commission made a final determination with respect to that proposal?

Answer: On September 19, 1985, the Commission issued an administrative complaint regarding the transaction and also provisionally accepted a consent agreement in partial settlement of the complaint. Since that date the transaction has been consummated and the provisional consent agreement has become final. The remaining allegations of the complaint are pending trial before a Commission Administrative Law Judge, and thus no final determination has been made.

MERGER LEGISLATION

Question: Given the recent rash of mergers, is new antitrust legislation necessary to prevent the advent of possible monopolies?

Answer: No. Current antitrust law is adequate to prevent mergers that would be anticompetitive.

EFFECT OF GRAMM-RUDMAN-HOLLINGS ON PERSONNEL

Question: What effect will the Gramm-Rudman-Hollings sequestration have on personnel levels at the Commission? Will this necessitate reductions-in-force or furloughs? Will it impact programs?

Answer: The 4.3 percent sequestration mandated for fiscal 1986 amounts to $2,817.000. This means the agency's adjusted fiscal 1986 base beginning March 1 will become $62,683,000. The Commission has taken the following actions to adjust to these cuts.

A near total hiring freeze is now in place at the agency. While this action will not in itself capture the necessary $2.8 million, it is expected to recoup approximately 40 percent of the sequestration amount. Spending restrictions have been placed on such accounts as travel, training, contracts, equipment, printing and the use of outside consultants. It is projected that 25 percent of the sequestration reduction will come from these critical support accounts.

Finally, the remaining 35 percent of the sequestration will be absorbed by furloughing the agency's staff and by additional operating expense cuts.

The program impact of the sequestration will be experienced evenly through the agency. That is, no program will be abolished or office closed.

PPG - SWEDLOW, INC. MERGER CASE

Question: Does the FTC's recent move to block the merger of PPG Industries and Swedlow, Inc. mark a departure in FTC antitrust policy?

Answer: Since this case is currently in an adjudicative status before a Commission Administrative Law Judge we cannot discuss the merits of the case. Insofar as the question relates simply to the decision to seek a preliminary injunction from the federal courts, however, it has long been the Commission's practice to do so in appropriate cases.

QUESTIONS FOR THE RECORD FOR MR. REGULA

TAKING INTERNATIONAL COMPETITION INTO ACCOUNT

Question: What is your reaction to amending the antitrust laws in this country to permit evaluations of the global picture in an industry instead of a purely domestic evaluation? Do you think the negative effects of such an approach would outweigh the positive effects of global competitiveness?

Answer: Competition from outside the United States should be and is taken into consideration in appropriate cases. At present, the antitrust laws do permit such an evaluation, and it is therefore not clear that the described amendment would have any effect.

GROCERY INDUSTRY INVESTIGATIONS

Question: What is the status of the FTC's investigation into predatory pricing in the grocery business in the Midwest (notably Indiana and Ohio)?

Answer: From mid-1983 through 1984, the Commission received complaints from grocery retailers and trade associations about pricing practices in the retail grocery industry. These complaints were not limited to grocers in Indiana and Ohio, but instead came from several areas around the United States. Many of those complaints related to pricing by new-format warehouse stores, such as those operated by Cub Foods, and the responses of existing retailers to that pricing. We have observed that while the lower prices these stores offer trigger intense price wars in some areas, in other cities there is little market disruption. The Commission, therefore, determined to study the warehouse-store phenomenon more carefully in order better to understand the varying market reactions, rather than open an investigation of one respondent.

The principal focus of the study is the effect on consumers of the warehouse store. In addition, the Commission is studying whether any market disruptions reflect the adjustment of the market to new, more efficient operations or instead reflect anticompetitive practices. Warehouse stores may often employ cost-saving features not used by conventional grocery retailers and may thus be able to sell groceries profitably at lower prices than can conventional grocery stores. If that is the case, warehouse stores benefit consumers by providing them with lower grocery prices over the long term. The grocery study is providing information on that issue. If the study also uncovers evidence meeting legal tests of predatory pricing, the Commission is prepared to take appropriate action.

As part of this study, the Bureaus of Competition and Economics conducted 13 days of hearings on pricing in the retail grocery industry in the fall of 1984. Fifty-six industry representatives testified at hearings in Milwaukee, Wisconsin; Atlanta, Georgia; Kansas City, Missouri; Sacramento, California; and Indianapolis, Indiana. Letters were sent to several hundred grocery industry members throughout the United States inviting them to participate in the hearings. Letters were also sent to grocery wholesalers and trade associations, including several from Indiana and Ohio, asking them to inform their customers and members of the hearings. Several representatives from Indiana testified at the hearings; however, no industry representatives from Ohio testified.

Since the completion of the hearings, the Bureaus of Competition and Economics have gathered additional data to complete the analysis of the effect of warehouse stores on consumers. Those data and the information gathered during the hearings are currently being analyzed. After this analysis has been completed, they will report the results of the study to the Commission and make recommendations as to whether any investigations should be initiated.

INFORMING CONGRESS ABOUT THE COMPETITIVE CONSEQUENCES OF LEGISLATION

Question: Your budget submission stated that: "Resources will be allocated in FY1987 to inform Congress about the possible harmful consequences of measures which might shield firms and industries from competition." Are you referring to Administrative opinions on pending legislation as requested by congressional committees, or does the FTC perform an independent reporting function here?

Answer: In virtually all cases the language "to inform Congress about the possible harmful consequences of measures which might shield firms and industries from competition" means communicating with members of Congress or congressional committees about pending legislation at their request. Resources are devoted to evaluating the competitive consequences of a number of legislative proposals and the results of these evaluations are made available to the Congress in various ways such as letters, testimony, and formal statements approved by the Commission.

ADVERTISING CASE SELECTION

Question: Your budget submission also notes under the Consumer Protection title that: "The Commission, as part of its case selection criteria, has developed statements on deceptive and unfair advertising that stress cost-benefit analysis." What does this statement mean? (on page iii, second paragraph)

Answer: In its Policy Statement on Unfairness, issued in 1980, the Commission set forth a three-part test that must be met before an act or practice can be found to be unfair: the act or practice must cause substantial consumer injury; the injury must not be outweighed by any countervailing benefits to consumers or competition; and it must be an injury that consumers themselves could not reasonably have avoided. The test ensures that the Commission, as part of its case selection criteria, focuses on the most serious types of consumer injury, and not merely trivial harm or harm easily avoided by consumers. The test also recognizes that most practices consist of a mixture of both beneficial and adverse consequences, and that the Commission should only take action with respect to those practices injurious in their net effects. In short, in assessing potential cases under an unfairness analysis, the Commisison conducts an appropriate cost-benefit analysis in which it weighs the consumer benefits of Commission action against their likely costs.

Unlike the cost benefit analysis for unfairness, the criteria for deceptive practices are, in essence a per se test. The Commission's 1983 Policy Statement on Deception summarized past cases by stating that a deception case requires a showing of three elements: there is a representation, omission, or practice that is likely to mislead consumers; the practice must be considered from the perspective of a consumer acting reasonably under the circumstances, and the representation, omission, or practice must be material to consumers. The Statement ensures that the Commission and its staff focus resources on the practices that are the most injurious to consumers. There is no reason to pursue practices that are unlikely to mislead consumers. Likewise, the Commission only pursues claims that are likely to mislead reasonable consumers, because when only an insignificant and unrepresentative minority of consumers misunderstands an advertising claim, there is little basis for restricting truthful information that benefits the vast majority. Similarly, the statement also recognizes explicitly that the Commission, in selecting potential deception cases for investigation, has always weighed the potential benefits and cost of its actions. The statement notes that, as a matter of longstanding policy, the Commission is not likely to take action when consumers can easily evaluate a product or service, it is inexpensive, and it is frequently purchased. See, e.g., Bristol-Myers Co., 85 F.T.C. 688, 746-47 (1975).

The Policy Statement has been applied by the Commission in litigated cases (see, e.g., Cliffdale Associates, 103 F.T.C. 110 (1984)). The courts have agreed that once such a policy statement has been adopted by a Commission decision it becomes a binding norm that the agency must follow in future cases. AMREP Corp. v. FTC, 768 F.2d 1171, 1178 (10th Cir. 1986), cert. denied, __ U.S.L.W. __ (Feb. 24, 1986).

In sum, the Policy Statements synthesize the results of past Commission cases and provide guidance to both staff and industry as to how our broad authority will be applied to the wide variety of marketplace practices that fall under our jurisdiction. Thus, the statements have proven to be extremely valuable to the staff and the Commission in allocating scarce resources optimally.

CONSUMER AND BUSINESS EDUCATION ACTIVITY

Question: The FTC performs a variety of consumer and business education functions. Will you detail how best these programs are carried out?

Answer: The Office of Consumer and Business Education is a non-litigative partner in BCP's overall mission to enforce consumer protection laws, trade rules, and Commission orders. Its work, therefore, is rooted in the Bureau's programs and reflects their order of priority. Through consumer and business education campaigns and projects, the Bureau aims to promote self-help on the part of consumers and voluntary compliance on the part of industry. In addition, the Bureau encourages the office to engage in cooperative education programs with industry and national consumer organizations to maximize agency efforts, making them more cost effective.

For consumers, the office produces and distributes broadcast public service announcements, satellite news releases, and print materials, i.e., booklets, brochures and fact sheets. The office also produces appropriate booklets and facts sheets for businesses. Publications are distributed to a mailing list of 10,000 opinion leaders -- the media, national consumer and business organizations, state and local governments -- and to consumers and businesses upon request. The office currently lists 70 publications for consumers (English and Spanish) and 10 publications for businesses. See the attached "best sellers" list for titles.

FACTS for consumers

from the Federal Trade Commission February 1986

FTC 'Best Sellers'

Did you miss any of these publications? Most are available *FREE* from the Federal Trade Commission. For copies, write:

Federal Trade Commission
Room B-3
6th and Pennsylvania Avenue, N.W.
Washington, D.C. 20580

GENERAL INFORMATION

____ Consumer Quiz
____ Consumer's Resource Handbook
____ What's Going on at the FTC?

ENERGY

____ Home Insulation and R-Value
____ Home Siding: Not for Energy Savings
____ Octane Ratings
____ Woodstove Warnings

Bureau of Consumer Protection Office of Consumer/Business Education

BUYING AT HOME

____ Door-to-Door Sales
____ Holiday Shopping: by Phone or Mail?
____ Investing By Phone
____ Make Knowledge Your Partner in Mail Order Shopping
____ Phone Order or Mail Order?
____ Shopping by Mail
____ Unordered Merchandise

CREDIT

____ Car Ads: Low Interest Loans & Other Offers
____ Cosigning a Loan
____ Credit and Charge Card Fraud
____ Credit Billing Blues
____ Credit Practices Rule
____ Electronic Banking
____ Equal Credit Opportunity
____ Escrow Accounts for Home Mortgages
____ Fair Credit Billing
____ Fair Credit Reporting
____ Fair Debt Collection
____ Getting a Loan: Your Home as Security
____ Solving Credit Problems
____ Using Ads to Shop for Home Financing
____ Utility Credit
____ Women and Credit Histories

BROCHURES IN SPANISH

____ Buying a Used Car
____ Cosigning a Loan
____ Credit Practices Rule
____ Equal Credit Opportunity
____ Fair Credit Billing
____ Fair Debt Collection
____ Solving Credit Problems
____ Warranties

PROFESSIONAL SERVICES

____ Choosing a Vocational School
____ Eyeglasses
____ Funerals
____ Gemstone Investing
____ General Motors Consumer Mediation/Arbitration Program
____ Generic Drugs
____ Health Spas: Exercise Your Rights
____ Healthy Questions
____ Income Tax Preparation Services
____ Job Hunting: Should You Pay?
____ Laser Facelifts
____ Looking for Contact Lenses
____ Money Matters
____ Real Estate Brokers
____ Your Home, Your Choice

SALES PRACTICES

____ "Bargain" Jewelry
____ Buying A Used Car
____ Buying Time for Watches
____ Care Labels
____ Cellular Telephone Lotteries (Alert for Consumers)
____ Contest Cons
____ Extra Margin Emergency Escape Masks (Alert for Consumers)
____ Five Food Facts
____ Franchise and Business Opportunities
____ Gold Jewelry
____ How to Write a Wrong: Complain Effectiveiy and Get Results
____ Layaway Purchase Plans
____ Service Contracts
____ Should You Join a Buying Club?
____ Ten Timeshare Tips
____ Vacation Certificates
____ Warranties
____ Work-At-Home Schemes

BUSINESS PUBLICATIONS

____ A Business Guide to the Mail Order Rule
____ Buying by Phone: A Guide for Small Businesses and Organizations
____ Dealer's Guide to the FTC Used Car Rule
____ Getting Business Credit
____ How to Advertise Consumer Credit
____ Making Business Sense Out of Warranty Law
____ Offering Layaways
____ Writing a Care Label: How to Comply with the Amended Rule

SALES-ONLY PUBLICATIONS

Several Federal Trade Commission publications are available for sale only at the addresses listed below. Please send your order and payment directly to the address specified. **The FTC cannot fill your requests for these publications:**

The Mortgage Money Guide — Price: 50¢
Consumer Information Center
Department 418M
Pueblo, Colorado 81009

How to Buy a Manufactured Home — Price: 50¢
Consumer Information Center
Department 453P
Pueblo, Colorado 81009

Handling Customer Complaints — Price: $2.50
Order #: 018-000-00284-1
Superintendent of Documents
Washington, D.C. 20402

Insulate By Number (poster) — Price: $2.75
Order #: 018-000-00291-4
Superintendent of Documents
Washington, D.C. 20402

Writing Readable Warranties — Price: $2.00
Order #: 018-000-00303-1
Superintendent of Documents
Washington, D.C. 20402

NOTE TO EDITORS: Please contact Lynn Alfalla (202-523-3575) if you intend to mention any publication after June 1, 1986. We want to ensure we have sufficient copies to meet your readers' requests.

FEDERAL TRADE COMMISSION
WASHINGTON, D. C. 20580

OFFICIAL BUSINESS
PENALTY FOR PRIVATE USE $300

POSTAGE AND FEES PAID
U.S. FEDERAL
TRADE COMMISSION

If you no longer wish to receive this publication, or if you wish your address changed, indicate such changes on your address label and return to the FTC address listed above.

WARRANTY INFORMATION

Question: Another FTC function, as stated in your budget submission, is to insure that warranty information is understood. I wonder how this is done.

Answer: Under the Magnuson-Moss Warranty Act, the Commission has promulgated rules governing the manner in which warranty disclosures are made to ensure that warranty information is made readily available to consumers and that it is conveyed to them in a clear manner. The Commission's Rule on Disclosure of Written Consumer Product Warranty Terms and Conditions (Rule 701) requires warrantors to disclose clearly in a single document the terms and conditions of warranties. The Commission's Pre-Sale Availability of Written Warranty Terms Rule (Rule 702) requires sellers to make warranties on any consumer product costing more than $15 available to consumers for examination prior to sale. The Commission recently revised the Pre-Sale Availability Rule to lower compliance costs by requiring only that sellers make warranties readily available either by posting warranties near the product or providing warranties upon request. Under the amended rule, sellers also must post signs advising consumers of the availability of warranties for inspection. In addition, the Commission has promulgated Guides Against Deceptive Advertising of Guarantees. The Guides require any advertisement that mentions warranties to disclose that the warranties are available for examination prior to sale. This disclosure may encourage more consumers to examine warranties before purchasing consumer products.

QUESTIONS FOR THE RECORD FOR MR. ROGERS

TEXTILE AND WOOL PRODUCTS LABELING ACTS

Question: In 1984, Congress enacted amendments to the Textile Fiber Products Identification Act and the Wool Products Labeling Act (P.L. 98-417) which require the conspicuous labeling of domestically produced textile and apparel products.

a. What is the status of the implementation of that Act?

b. Have any investigations been undertaken or complaints issued for violations of the Act? Has the Commission received information citing instances of mislabeling or failure to label? If so, what action has the Commission taken?

Answer: a. The Commission published proposed regulations in November 1984. Thereafter, a period was provided for interested persons to submit comments. On April 17, 1985, final regulations were published in the Federal Register with an effective date of May 17, 1985.

b. The Commission has not received information that U.S. manufacturers are mislabeling or failing to label the origin of their products. No complaints have been issued on this matter. Over the past four or five months, U.S. Customs inspectors have stopped several shipments of textile goods that were labeled only on the packaging and not on each textile product as required under the amended Acts. These goods have been denied entry until they were properly labeled.

Question: The Act also requires the disclosure of country of origin information in catalogs and mail order materials. Despite resistance on the part of the direct mail industry, Congress believed consumers have the right to know the origin of the product they are buying.

a. What is the level of compliance with this requirement?

b. Has it been unduly burdensome to convey this information to consumers?

Answer: a. The level of compliance with this requirement appears good and is steadily improving. The Commission's staff has been monitoring catalogs and advertising. When appropriate, we have notified several large as well as small firms of the new requirements. The companies have then come into compliance.

b. The Commission has received no complaints that this requirement is unduly burdensome.

Question: Evidence indicates that some foreign textile manufacturers have deliberately mislabeled imported goods as made in the United States. What enforcement action has been taken by the FTC in this area?

Answer: The Commission has not received any evidence indicating that there are some foreign textile manufacturers deliberately mislabeling imported goods as having been made in the United States. We understand, however, that the U.S. Customs Service, which also has jurisdiction over this matter, has received some complaints about such mislabeling. We will, of course, provide the Customs Service with appropriate assistance if requested. Further, in the event the Commission directly receives reports of alleged mislabeling we will coordinate our investigating efforts with the Customs Service.

MONDAY, FEBRUARY 24, 1986.

BOARD FOR INTERNATIONAL BROADCASTING

WITNESSES

MALCOLM S. FORBES, JR., CHAIRMAN, BIB

BEN J. WATTENBERG, VICE CHAIRMAN, BIB

ANGELO MANGINELLI, ACTING EXECUTIVE DIRECTOR, BIB

ERNEST EUGENE PELL, PRESIDENT, RADIO FREE EUROPE/RADIO LIBERTY

HUGH FALLS, VICE PRESIDENT, RFE/RL

WILLIAM A. BUELL, VICE PRESIDENT, RFE/RL

MICHAEL R. MARCHETTI, TREASURER AND COMPTROLLER, RFE/RL

Mr. DWYER. This afternoon we will begin with reviewing the 1987 budget request for the Board for International Broadcasting. Here to testify is its new Chairman. We welcome you, Malcolm Forbes, Jr., from the great State of New Jersey, and the new President of Radio Free Europe, and Radio Liberty, Mr. Eugene Pell.

At this point we will insert your biographical sketches and the justifications into the record.

[The biographical sketches and justifications follow:]

BIOGRAPHY—MALCOLM S. FORBES, JR.

Malcolm S. Forbes, Jr. is President and Chief Operating Officer of Forbes Inc. and Deputy Editor-in-Chief of FORBES Magazine, one of the country's oldest and most important business management publications.

Mr. Forbes was born July 18, 1947, in Morristown, New Jersey. He graduated cum *laude* from Brooks School, North Andover, Mass. in 1966 and from Princeton University in 1970.

While at Princeton, Mr. Forbes was founding Editor of *Business Today*, a quarterly publication designed to give students balanced perspective of the business world. *Business Today* became the country's largest magazine published by students for students, with a nationwide circulation 200,000. The magazine continues today, still being produced by Princeton University undergraduates.

Mr. Forbes joined the New Jersey National Guard in 1970. Immediately after his active military service, he joined the business publication founded by his grandfather in 1917. He became a Director of Forbes Inc. in 1971 and was appointed Vice President and Secretary in 1973. He was elected President and Chief Operating Officer of Forbes Inc. in August, 1980. On the editorial side, in 1976 he became Associate Editor of the magazine, in 1978, Senior Editor, and was promoted to Deputy Editor-in-Chief in April, 1982. Among his duties is writing editorials for each issue of FORBES, the third generation of his family to do so.

In addition to his work at the magazine, Mr. Forbes does occasional commentaries on the economy for various New York television and radio stations.

In 1974, Mr. Forbes compiled the best of his father's editorials into a book entitled *Fact & Comment*, which was published by Alfred A. Knopf, Inc. The book won critical acclaim from both the business and literary worlds.

Malcolm S. Forbes, Jr. has ~~twice~~ thrice been awarded the Crystal Owl presented annually by the U.S. Steel Corporation to the reporter making the most accurate economic forecasts for the coming year. He is the only writer to have won the award ~~twice~~ more than once during the competition's 40-year history.

In 1977, Mr. Forbes wrote the text of the award-winning documentary, *Some Call It Greed*, produced on the occasion of FORBES Magazine's 60th Anniversary and narrated by Orson Wells, Lowell Thomas and Robert MacNeil.

Mr. Forbes was appointed to the Somerset County Park Commission in 1975, was elected Vice President in 1979 and President in 1981.

Mr. Forbes is a trustee of Brooks School and also serves on the Board of Trustees of the Foundation for Student Communication.

RFE-RL
RADIO FREE EUROPE RADIO LIBERTY
1201 CONNECTICUT AVENUE, N.W.
WASHINGTON, D.C. 20036
TELEPHONE (202) 457 6900

FOR IMMEDIATE RELEASE

October 1, 1985

Contact: William A. Buell
202/457-6910

GENE PELL NAMED PRESIDENT OF RADIO FREE EUROPE/RADIO LIBERTY

The board of Radio Free Europe/Radio Liberty Inc. today announced that Ernest Eugene (Gene) Pell will succeed former Senator James L. Buckley as president of Radio Free Europe/Radio Liberty.

Pell, 48, has been director of the Voice of America since August 1984. Before joining the Voice, he had a career of over 20 years in broadcast jounalism. He studied Russian and was NBC News Correspondent in Moscow from 1978 to 1980 and at the Pentagon from 1980 to 1982.

Radio Free Europe/Radio Liberty, based in Munich, Germany, broadcasts in 21 languages to the countries of Eastern Europe and the Soviet Union. The station is funded by the U.S. Congress through the Board for International Broadcasting.

Pell was chief correspondent of WCBV-TV News in Boston, 1982-83. He began his broadcasting career as an investigative reporter for WBZ-TV in Boston and in 1969 became Washington national political correspondent for the

-more-

Westinghouse Broadcasting Company. He later became chief of the Westinghouse foreign news service, based in London.

He served in the United States Navy from 1959 to 1962 and was program director for the Armed Forces Radio in New York. He is the recipient of numerous awards for news reporting.

He was a Nieman Fellow at Harvard University in 1974 and a Visiting Fellow at Harvard's Russian Research Center in 1977.

Mr. Buckley, president of RFE/RL Inc. since 1982, recently announced his plans to return to the United States.

Last month, President Reagan named Malcolm S. Forbes Jr. to be chairman of the Board for International Broadcasting, succeeding Frank Shakespeare, who was named United States Ambassador to Portugal.

Forbes, 38, who is president of Forbes Inc. and deputy editor-in-chief of Forbes magazine, was elected chairman of the board of RFE/RL Inc. on September 9.

Commenting on Pell's appointment, Forbes said today, "I'm delighted that the board's extensive search for a new president has produced a candidate whose professional qualifications are so ideally matched to the job and who has a deep understanding and appreciation for the mission of these radios."

# # #

BOARD FOR INTERNATIONAL BROADCASTING

FY 1987 BUDGET
FY 1986 SUPPLEMENTAL REQUEST

BOARD FOR INTERNATIONAL BROADCASTING

SUMMARY
(in thousands of dollars)

Federal Appropriation	FY 1985 Appropriation ($1=DM 2.72)	FY 1986 Appropriation ($1=DM 3.08)	FY 1986 Supplemental	FY 1987 Estimate ($1=DM 2.53)	FY 1987/86 Increase/Decrea
Board for International Broadcasting:					
Administrative expenses...	1,128	1,097	-	1,168	+ 71
Grants to RFE/RL, Inc.:					
Operating expenses.......	103,545	101,603	-	109,270	+7,667
Adjustment for P.L. 99-177	-	-4,416		-	+4,416
Transmitter Modernization:					
Europe..................	16,955	-	-	30,723	+30,723
Near East	-	-		10,000	+10,000
Foreign Currency Exchange Rate Adjustments........	-	-	14,500	16,348	+1,848
TOTALS	121,628	98,284	14,500	167,509	+54,725

The appropriation requests for FY 1986 and 1987 are to provide for the continued oversight activities of the Board for International Broadcasting and its grants to Radio Free Europe/Radio Liberty (RFE/RL, Inc.) for broadcasts to the Soviet Union, Poland, Romania, Czechoslovakia, Hungary, Bulgaria, Baltic States and Afghanistan.

The FY 1987 request is based on exchange rates of 2.53 West German Marks, 159.10 Portuguese escudos and 155.20 Spanish pesetas to the dollar. These compare with original FY 1986 budgetary exchange rates of 3.08 marks, 160.16 escudos and 171.80 pesetas to the dollar. Actual rates in the first quarter of FY 1986 have been at or near the new rates set for FY 1987, necessitating a $14.5 million request for supplemental funding in FY 1986 and a $16.4 million adjustment in FY 1987 operating levels. Approximately 67 percent of RFE/RL operating expenditures are in West German marks.

The FY 1987 request incorporates two aspects of transmitter modernization. It provides $30.7 million for the second part of the modernization of existing RFE/RL transmitter facilities in Europe, for which $16.9 million was funded in an FY 1985 supplemental appropriation. (The full program, as presented at the first session of the 99th Congress, called for $77.2 in all; the Administration will seek the remaining budget authority in FY 1988, with outlays extending to FY 1990.) The FY 1987 request also includes initial BIB funding for a new transmitter facility in the Near East, to be operated jointly by RFE/RL and the Voice of America. Negotiations with the Government of Israel for such a facility have made rapid progress; various technical and contracting studies are already underway. The $10 million sought for this purpose in FY 1987 is primarily for such preliminary work; a similar sum will be requested by BIB in FY 1988. The major funding for construction will be sought in FY 1989.

Increases in RFE/RL operating expenses largely reflect adjustments for inflation in various European countries and the United States.

BOARD FOR INTERNATIONAL BROADCASTING

The Board for International Broadcasting was established by P.L. 93-129 (87 Stat. 456). As that statute was amended by P.L. 97-241 (96 Stat. 273), the Board consists of nine members appointed for staggered three-year terms by the President by and with the advice and consent of the Senate. The members of the Board, which is an independent Federal agency, also serve as directors of RFE/RL, Inc., which is a non-profit corporation. The chief operating executive (president) of RFE/RL, Inc. serves as an ex officio member of the BIB, which appoints and fixes the compensation of RFE/RL officers.

The BIB is authorized to grant appropriated funds to RFE/RL, Inc.; assess the quality, effectiveness and professional integrity of its broadcasts "within the context of the broad foreign policy objectives of the United States"; encourage the most efficient utilization of available resources; procure supplies, services and other personal property, including specialized electronic equipment; and report annually to the President and the Congress. The Board's twelfth annual report, submitted January 31, 1986, reviewed its own activities and evaluated the mission and operations of RFE/RL during FY 1985. The report contains the official audit of RFE/RL finances performed for the BIB by the independent public accounting firm of Arthur Andersen & Co.

RADIO FREE EUROPE/RADIO LIBERTY

RFE/RL broadcasts in 22 languages of the Soviet Union and Eastern Europe for an average of 1,050 hours weekly from one medium-wave and 46 short-wave transmitters. RFE broadcasts to five East European nations and the Baltic States, while RL broadcasts to the U.S.S.R. and Afghanistan in Russian and 12 other languages. Broadcasts are news-oriented with analyses based on professional research. While the VOA concentrates on projecting American society and institutions, RFE/RL broadcasts focus on the interests of East European and Soviet audiences.

The RFE/RL broadcast center is located in Munich, West Germany. Transmission facilities are located in Portugal, Spain and at three sites in West Germany. News and program bureaus are located in Washington, New York, London, Paris, Brussels, Bonn, Rome, Hong Kong and Islamabad.

Financial Highlights and Perspective Plan

Nearly seventy percent of RFE/RL operating budget have been applied to personnel compensation, with power and other transmission costs accounting for forty percent of the remainder. Pension funding and other retirement and severance costs have become an increasingly significant budget factor; program staff was largely recruited in the 1950s, and half the key programmers are due for retirement by 1991.

Approximately 67 percent of RFE/RL expenditures are in West German marks, an additional 12 percent in Portuguese escudos and Spanish pesetas.

The Administration estimates new obligational authority and outlays for BIB and RFE/RL as follows (000s omitted):*

Authority:	FY 1987	167,509	Outlays:	FY 1987	$158,170
	FY 1988	171,612		FY 1988	169,027
	FY 1989	236,209		FY 1989	211,277
	FY 1990	169,851		FY 1990	191,780

The variances between budget authority and outlays largely reflect technical projects spread over several years.

* Based on exchange rates of 2.53 marks, 159.10 escudos and 155.20 pesetas to the dollar.

BOARD FOR INTERNATIONAL BROADCASTING

FY 1987

Program and Financing
(in thousands of dollars)

	FY 1985 Actual	FY 1986 Estimate	FY 1987 Estimate
Program by activities:			
1. Administrative expenses	927	1,097	1,168
2. Grants for private broadcasting activities, RFE/RL	108,459	111,980	166,341
Total obligations	109,386	113,077	167,509
Financing:			
Offsetting collection from: Federal funds	791	---	---
Unobligated balance available, start of year	14,919	-13,772	- 3,395
Unobligated balance available, end of year	13,772	3,395	3,395
Unobligated balance lapsing	14,180	---	---
Budget authority	121,628	102,700	167,509
Appropriation	111,251	102,700	167,509
Reappropriation	10,377	---	

	FY 1985 Actual	FY 1986 Estimate	FY 1987 Estimate
Relation of obligations to outlays:			
Obligations incurred, net	108,595	113,077	167,509
Obligated balance, start of year	1,643	13,250	6,447
Obligated balance, end of year	- 13,250	- 6,447	-15,786
Adjustments inexpired accounts	- 29	---	---
Outlays	96,959	119,880	158,170

BOARD FOR INTERNATIONAL BROADCASTING

Under Public Law 93-129, as amended, the Board for International Broadcasting consists of nine members, appointed by the President by and with the advice and consent of the Senate for terms of three years; one ex officio member (the president of RFE/RL, Inc.); and a small professional staff appointed under the provisions of Title 5, United States Code. The Board is located at 1201 Connecticut Avenue, N. W., Suite 400, Washington, D. C. 20036.

Under the law, the Board exercises oversight responsibility over two major aspects of RFE/RL operations: (1) broadcast quality and effectiveness (including the responsibility to ensure that broadcasts are consistent with broad U.S. foreign policy objectives); and (2) effective utilization of Federal funds.

The normal operating expenses of the Board include staff compensation and benefits; compensation to Board members for their time and travel costs to attend regular meetings and inspect RFE/RL facilities in Europe; rental services; office supplies and equipment; contract fees for the annual audit of RFE/RL finances by an independent public accounting firm; and fees to consultants, principally in the area of program evaluation, to assist the Board and staff in their oversight functions.

BIB operating expenses in FY 1985 were $927,000; the FY 1986 appropriation for the BIB's expenses was $1,097,000 and the higher FY 1987 request largely reflects intensive preparations for and participation in the World Administrative Radio Conference on High Frequency Broadcasting (WARC-HFBC), January-March 1987.

BOARD FOR INTERNATIONAL BROADCASTING

Obligations by Object Class
(Exclusive of Grants)

(in thousands of dollars)

Object Classification	FY 85 Actual No.	FY 85 Actual Amount	FY 86 Estimate No.	FY 86 Estimate Amount	FY 87 Estimate No.	FY 87 Estimate Amount	FY 87/86 Increase or Decrease No.	FY 87/86 Increase or Decrease Amount
11.0 Personnel compensation:								
11.1 Full-time permanent positions . . .	8	363	8	385	8	394	---	+ 9
11.3 Positions other than full-time permanent		120		138		138		---
Total personnel compensation		483		523		532		+ 9
12.1 Personnel benefits: Civilian		47		37		52		+ 15
21.0 Travel and transportation of persons . .		58		169		198		+ 29
23.0 Communications, utilities and other rent		58		121		126		+ 5
24.0 Printing and reproduction		2		16		16		---
25.0 Other services		276		224		237		+ 13
26.0 Supplies and materials		3		7		7		---
TOTAL OBLIGATIONS, (Excluding Grants), Board for International Broadcasting . .		927		1,097		1,168		+ 71

BOARD FOR INTERNATIONAL BROADCASTING

Summary of Increases
(in thousands of dollars)

	Amount
Personnel compensation: Full-time permanent positions	+ 9
Adjusting retroactive pay rates for Executive Schedule employees; restoration of GS-15 Engineering position; increases in within-grades/promotions in accordance with OPM guidelines.	
Personnel benefits: Civilian	+ 15
Estimated at 9.7% percent of total compensation.	
Travel and transportation of persons	+ 29
Increased Board member oversight of and involvement in RFE/RL, Inc. overseas operations; World Administrative Radio Conference (WARC) will take place in Geneva, Switzerland, on January 1987. It is expected that all essential BIB members will attend the conference. Required travel to attend bilateral negotiations with Foreign administrations in preparation for the WARC; increased domestic and international airfares and per diem costs.	
Communications, utilities and other rent	+ 5
Inflationary increases in pruchase of telephones and service contracts and rental equipment.	
Other services	+ 13
Operational economies and efficiences; increase in program evaluation; GSA administrative support contract; consultant contracts; inflationary increases in commercial vendor's services.	
TOTAL INCREASE	+ 71

BOARD FOR INTERNATIONAL BROADCASTING

Personnel Summary

	FY 85 Actual	FY 86 Estimate	FY 87 Estimate
Total number of full-time permanent positions . . .	8	8	8
Full-time equivalent of other positions	1	1	1
Total compensable workyears	9	9	9
Average ES salary	68,411	65,845	69,900
Average GS grade	10.80	9.75	11.60
Average GS salary	33,805	27,119	37,776

RADIO FREE EUROPE/RADIO LIBERTY: FY 1987 GRANT REQUEST

RFE/RL, Inc. is a non-profit corporation, chartered in the State of Delaware, with a broadcast center located in Munich, West Germany. Of its 1,735 employees (as of September 30, 1985), some 1,239 are based in Munich and other sites in the Federal Republic of Germany, 395 at the main transmitter sites in Portugal and Spain, 101 at offices in Washington and New York.

RFE/RL broadcast schedules range from 24 hours a day in Russian to less than an hour in some languages of Soviet Central Asia. Newscasts, reviews of the world press and news analyses based on RFE/RL's own area research comprise the majority of airtime. RFE/RL broadcasts to the U.S.S.R., Czechoslovakia and Bulgaria have been "jammed" by local authorities since their inception (1950 for RFE, 1953 for RL). Jamming of broadcasts to Romania and Hungary ceased in 1963 and 1964 respectively. Broadcasts to Poland have been jammed intensively since 1981.

Despite such interference, audience research estimates that RFE/RL broadcasts are heard by some 50 million regular listeners in the course of a typical week. Since 1974, RFE/RL transmitter power has been doubled; twelve new 100-kilowatt transmitters were installed in 1975-77, and eleven new 250-kilowatt transmitters in 1980-81. Four modern 100-kilowatt transmitters, now being manufactured, during FY 1986 will replace eight antiquated 50-kilowatt transmitters located at Biblis and Lampertheim, West Germany. A supplemental appropriation for FY 1981 provided funds for replacement of RFE/RL's sole medium-wave transmitter.

Modernization Program

Modernization of RFE/RL facilities is essential to provide a more reliable, cost and technically effective operation. Capital funds in the amount of $77,250,000 will permit RFE/RL to launch a portion of the modernization program by improving three of its five existing transmitting facilities (Gloria, Biblis and Lampertheim) and will provide a new modern transmitting facility at Maxoqueira located near the Gloria, Portugal station.

These improvements to existing facilities will permit RFE/RL to deliver a stronger and more effective signal to its listening audiences who are reporting difficulties in receiving RFE/RL programs. The new transmitting station at Maxoqueira, Portugal will be built on an existing location currently being used as a receiving site. Six 500 kW shortwave transmitters will be installed at this site. These transmitters will be principally used for penetrating RFE/RL jammed areas in Poland and the Baltics. The facility will be remote controlled from Gloria in an effort to reduce operating staff needs.

Capital funds in the amount of $150,000,000 will also permit RFE/RL to contribute its portion of the costs for building a new joint VOA/BIB shortwave relay station in the Near East. RFE/RL will have 10-500 kW transmitters installed for the purpose of broadcasting to Soviet Central Asia.

The FY 86 funds were derived and carried over from FY 85 supplement and currency gain funds. Thus far, $7 million of the $16,955,000 has been obligated towards the modernization program and the remainder is expected to be obligated within this fiscal year.

The projected obligational authority at current exchange rates for the above program is as follows:

(in thousands of dollars)

	FY 1986	FY 1987	FY 1988	FY 1989	FY 1990	Total
Gloria	16,955	4,223	1,822	-	-	23,000
Maxoqueira	-	17,500	25,250	-	-	42,750
Biblis	-	4,000	1,000	-	-	5,000
Lampertheim	-	5,000	1,500	-	-	6,500
Near East	-	10,000	10,309	100,000	29,691	150,000
Total	16,955	40,723	39,881	100,000	29,691	227,250

In FY-87 a budget authority of $40,723,000 is requested.

RFE/RL, INC.
Obligations by Object Class
FY 1987 Grant Request

41.0 GRANTS, SUBSIDIES AND CONTRIBUTIONS	FY 85 Actual		FY 86 Estimate		FY 87 Estimate		FY 87/86 Increase or Decrease	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Regular Operating Expenses:								
Personnel Compensation:								
Annual Salaries:								
Permanent Employees	1,735	44,127	1,799	43,153	1,799	46,166	-	+ 3,013
Temporary Employees	52	1,207	45	1,062	45	1,117	-	+ 55
Total - Annual Salaries		45,334		44,215		47,283		+ 3,068
Severance		3,478		2,900		3,000		+ 100
Employee Benefits:								
Taxes		5,866		5,875		6,354		+ 479
Pension Program		13,464		13,754		9,829		- 3,925
Fringe Benefits		9,056		9,473		9,735		+ 262
Total - Benefits		28,386		29,102		25,918		- 3,184
Total - Personnel Compensation and Employee Benefits		77,198		76,217		76,201		- 16
Administrative Costs:								
Misc. Fees/Professional Services		7,969		8,068		8,464		+ 396
Travel		766		731		761		+ 30
Rent and Utilities		1,711		1,844		2,034		+ 190
Licenses, Royalties and Copyrights		1,385		1,325		1,348		+ 23
Technical		8,594		10,267		11,701		+ 1,434
News and Information		974		1,045		1,137		+ 92
Representation		46		46		46		—
Conferences		68		77		80		+ 3
General and Administrative Costs		4,475		5,123		5,572		+ 449
Total Administrative Costs ..		25,988		28,526		31,143		+ 2,617
Total - Regular Operating Expenses		103,186		104,743		107,344		+ 2,601
Capital Expeditures:								
Regular		4,708		4,035		1,926		- 2,109
Transmitter Site Modernization.........		-		16,955		40,723		+ 23,768
Total Capital Expenditures ..		4,708		20,990		42,649		+ 21,659
TOTAL OBLIGATIONS, RFE/RL, Inc. (Grants, subsidies and contributions) .		107.894		125.733		149.993		+ 24.260

RFE/RL, INC.
Grant Financing
(in thousands of dollars)

FINANCING	FY 85 Actual Amount	FY 86 Estimate Amount	FY 87 Estimate Amount	FY 87/86 Increase or Decrease Amount
U.S. Government Grant	107,894	125,733	149,993	+ 24,260
Currency Gain Applied - FY 1984	(11,524)	—	—	—
Currency Gain Applied - FY 1985	24,130	(24,130)	—	+ 24,130
Currency Exchange Adjustment FY 86 Supplemental / FY 87 Rate Adjustment	—	14,500	16,348	+ 1,848
Pursuant to PL. 99-177	—	(4,369)	—	+ 4,369
Totals	120,500	111,734	166,341	+ 54,607

RFE/RL, INC.

Summary of Increases and Decreases
(in thousands of dollars)

Regular Operating Expenses:		Amount
Personnel Compensation:		
Annual Salaries-Permanent Employees		+ 3,013
General salary increase of 4.0 percent for employees in West Germany, 4.2 for employees in the U.S., 23 % and 12 % for local employees in Portugal and Spain respectively.	+ 2,480	
Within-grade increase in accordance with union contracts and company policy for employees below the top of their grades.	+ 463	
Annualization of FY 1986 salaries for staff - Afghan Service	+ 70	
Annual Salaries-Temporary Employees		+ 55
General price increase.		
Severance		+ 100
Increase in average severance costs for scheduled retirements and anticipated early retirements/terminations in FY 1987.		
Employee Benefits-Taxes		+ 479
Increase in Social Security, unemployment insurance and other payroll taxes.	+ 464	
Annualization of FY 1986 costs for staff - Afghan Service	+ 15	

Mr. Dwyer. You gentlemen can proceed at your own pace.

Mr. Forbes. Thank you very much, Mr. Chairman. I am submitting my statement for the record, if that is satisfactory to you, but I would like to take a couple of minutes to emphasize a few vital key points. The request submitted today includes a supplemental for the current fiscal year, that is, 1986. With some painful pruning, we are meeting the Gramm-Rudman-Hollings targets. However, the fall of the dollar against the European currencies we must spend, principally the West German mark, is having a devastating impact on us.

As you know, Mr. Chairman, an equalization funding mechanism was established in the late 1970s when a falling dollar put us into a similar situation. With the dollar rising in the early 1980s, we either returned the windfall to the Treasury or were authorized by supplemental to use it to meet requested budget levels. Now once again we are on the down side.

We are budgeted at a deutschmark rate of 3.08. The rate today is down to 2.29. We cannot make up the difference by RIFing or furloughing, because of union contracts, which make it more expensive to separate staff than to keep them on the payroll in any given year.

Let me just give you one example, Mr. Chairman. If we were to lay off the people who have had two years or less of service with the Radios, they come to 137 people, make up 8 to 10 percent of our payroll, the total savings, net savings of laying off almost 10 percent of our payroll, that is people with two years of experience or less, would save us only $75,000 in fiscal 1986.

Seventy percent of our operational expenses are in personnel costs. Without a supplemental, we would have to turn to controllable expenses, which now make up only 10 percent of our budget today, such as electric power, telephones, teletype and contract security guards.

As a matter of fact, if the present trend continues, our radios could literally run out of cash sometime in August. The reason why we are so vulnerable to these currency fluctuations, is because about 80 percent, approximately 80 percent of our budget, is spent in foreign currencies. Sixty-seven percent of the budget is spent in West Germany, using deutschmarks. The other 13 percent, roughly 13 percent, is in Spain and in Portugal.

The fiscal 1987 budget request looks like a much bigger increase than it really is. With the inflationary factors wrung out of it, and setting aside the amounts we are requesting for transmitter modernization, it is truly a stand-pat budget which does no more than to permit us to continue current operational requirements.

Mr. Chairman, we thank you and we are ready for your questions.

[The statement of Mr. Forbes follows:]

STATEMENT OF MALCOLM S. FORBES, JR., CHAIRMAN
BOARD FOR INTERNATIONAL BROADCASTING

BEFORE THE SUBCOMMITTEE ON THE DEPARTMENTS OF COMMERCE, JUSTICE, AND STATE, THE JUDICIARY, AND RELATED AGENCIES, COMMITTEE ON APPROPRIATIONS, U.S. HOUSE OF REPRESENTATIVES
ON APPROPRIATIONS FOR FISCAL YEAR 1987 (AND SUPPLEMENTAL APPROPRIATIONS FOR FISCAL YEAR 1986)

February 24, 1986

Mr. Chairman, I appear before this Subcommittee in support of the Administration's funding request for the Board for International Broadcasting including grants to Radio Free Europe/Radio Liberty, Inc. for Fiscal Year 1987 and for a Fiscal Year 1986 Supplemental.

With the support of your Subcommittee we have made a beginning with the long-overdue modernization program authorized by Congress. The construction of a new studio complex at our Munich broadcasting headquarters has been completed. State-of-the-art equipment will soon be installed in the new studios and will be in full operation by the end of this fiscal year. Four 100-kilowatt replacement transmitters will be delivered for installation in the Federal Republic of Germany. Appropriations in Fiscal Year 1985 have enabled a modest beginning of the current phase of transmitter modernization. Contracts have been signed for the purchase of eight new 250-kilowatt transmitters to replace a similar number of obsolete 100-kilowatt transmitters in Portugal.

An increase in transmitter power is essential to the delivery of an intelligible signal in an environment which is increasingly jammed. All of the 22 languages in which RFE/RL broadcasts, with the exception of Hungarian and Romanian, are heavily jammed. The annual cost to the Soviet Union for jamming operations was recently estimated by the British Broadcasting Corporation to be from $750 million to $1.2 billion. The funding request we are submitting today includes $30.7 million for modernization of existing transmitter facilities in Europe, including an increase in the number of transmitters from 45 to 51, the first such increase in actual transmitters, as opposed to power, in more than two decades.

Also included is $10 million as a first installment of RFE/RL's share of the costs of a joint RFE/RL - Voice of America transmitter base in Israel, for which negotiations are proceeding with every expectation of successful conclusion before the end of this year. Upon completion of this project, we shall at last have the capability of delivering a strong, one-hop signal to the Moslem peoples of Soviet Central Asia.

Mr. Chairman, we have had a busy year in Munich since my predecessor last appeared before your Subcommittee. As the Western World's largest broadcaster to Eastern Europe and the Soviet Union we have carried a heavy responsibility in providing our listeners with the detailed coverage they have learned to expect from us about such events as the changing of the guard in the Kremlin, the war in Afghanistan, and the trial of the policemen who murdered Father Popieluszko in Poland. In an area in ferment, an area which is of the greatest importance as we deal with the central threat to our national security, audiences are turning to us in unflagging numbers. According to current analysis, 52.5 million listen at least once a week. We cannot help but express disappointment that to meet the requirements of the Gramm-Rudman-Hollings legislation we have had to throttle back a number of initiatives designed to improve programming. 27 new positions included in the original Fiscal Year 86 appropriation will not be filled. 16 planned for double slotting to enable staff rejuvenation will be eliminated. Travel and free lance budgets have also been severely curtailed and our computer enhancement program, designed to improve performance, for example, in the digestion by the Central News Division of an estimated one and half million words a day, has slowed to a walk.

The budget we are submitting today will do no more than restore the operating level we had hoped to obtain this year. The increase in requested RFE/RL operating expenses, from $101.6 million to $109.3 million, reflects mostly adjustments for inflation in the various economies in which we operate.

The Supplemental request for Fiscal Year 1986 of $14.5 million is urgently needed to compensate for losses due to the devaluation of the dollar against the principal currencies which RFE/RL spends, the German D-Mark, the Portuguese escudo, and the Spanish peseta. Actual and projected losses on currency exchange rates exceed by this amount the $3,395,000 available from the Currency Devaluation Fund Reserve. Without supplemental funding, operations would have to be drastically reduced. Indeed it would be impossible to maintain current broadcast schedules. The Fiscal Year 1987 request includes $16.3 million for foreign currency budget rate adjustments.

Thank you for receiving this testimony.

Mr. **Dwyer**. Thank you, Mr. Forbes.

You are requesting a supplemental of $14,500,000?

Mr. **Forbes**. Yes, sir.

Mr. **Dwyer**. And our notes seem to indicate you had pegged the German mark at 2.45 at the time of the request. What is it at now?

Mr. **Forbes**. Today it went down to 2.29.

Mr. **Dwyer**. Where do you anticipate it going?

Mr. **Forbes**. That is a good question. I wish I could control Mr. Volcker and Mr. Baker, but we can't. Until there is an indication from them that there is going to be a floor, no trader is going to risk much money in going against the market, so it could go down to 2.20 or 2.10 before the market turns on its own. Right now the statements that are coming are not encouraging to providing that floor.

Until there is a statement like you had with the Group of Five last September, when they said we want to bring it down, we use resources to bring it down, that was a signal to the market that the dollar would come down, and by golly, it has. But with the statements coming from the Treasury Department saying, gee, we would like a little more, Mr. Volcker is harumphing that perhaps it shouldn't be so much more, the markets are uncertain.

Right now with the rates at just 2.32, the loss for this fiscal year is already at $19 million. The $14 million, as pointed out, was at a 2.45 level. We have already lost for these two weeks another $5 million just for this fiscal year.

Mr. **Dwyer**. What is your preference? Where do you want to see the rate go?

Mr. **Forbes**. As chairman of the BIB, I think 2.45 or 2.50 would be a splendid rate right now.

Mr. **Dwyer**. Put the other hat on.

Mr. **Forbes**. Actually, I think, seriously, a rate between 2.35 and 2.50 is eminently fair. You could peg it in there.

Mr. **Dwyer**. How will it get to that point by itself? It probably won't take too much intervention, will it, by the Group of Five?

Mr. **Forbes**. I wouldn't think so. If the markets know that there are going to be big resources thrown on it, and the fundamentals are sound, which I still think they are, they could do it. Just as everyone was surprised at how easy it was in retrospect to bring the dollar down from September when it seemed invulnerable, I think you would see the opposite effect today, if the policymakers made it clear what they wanted.

Mr. **Dwyer**. Are these same estimates also assumed by other international agencies such as USIA and the Department of State, to your knowledge?

Mr. **Forbes**. I don't know. I would imagine that OMB would use the same rates for them as they used for us.

Mr. **Dwyer**. Do you have any cushion built in at all?

Mr. **Forbes**. No. We had about $3.4 million in this stabilization fund, equalization funding mechanism, and that went in the first quarter of the fiscal year. We have run through that, that $3.4 million.

Mr. **Dwyer**. I wonder if you might spell out that horror story just a little bit more on what will happen if we don't give you the supplement.

		Amount
Employee Benefits - Pension Program		- 3,925
Increased costs for U.S., German, Portuguese and Spanish plans, based on COL increases and premiums determined by actuaries/insurance companies.	+ 975	
Decrease for one-time pension payment granted to the Society for International Broadcasters (S.I.B.)	- 4,900	
Employee Benefits - Fringe Benefits		+ 262
General inflationary increases for housing and utility costs, home leave travel, and employee health insurance costs.	+ 648	
Annualization of FY 1986 costs for staff - Afghan Service	+ 15	
Decrease for one-time costs for recruiting, housing and transportation of new hires	- 401	
Administrative Costs:		
Miscelleaneous Fees and Professional Services		+ 396
General price increases for free-lance and outside professional services (e.g. actuarial, research, protective services, consultants, legal, computer software, etc.)	+ 387	
General increase in professional development to provide training in journalism and broadcast techniques and to further English-language competence.	+ 24	
Decrease in technical anti-jamming studies	- 90	
World Administrative Radio Conference (WARC) participation	+ 75	

		Amount
Travel		+ 30
General increase in travel costs.		
Rent and Utilities		+ 190
General increase in rents and utilities.	+ 78	
Annualization of rental costs for additional office space acquired in Washington in FY 1986	+ 58	
Increased costs for extension of lease on Munich headquarters property	+ 54	
Licenses, Royalties and Copyrights		+ 23
General increase in licenses, royalties and copyright costs.		
Technical		+ 1,434
General increase in costs for power, maintenance and repairs, communications and spare parts.	+ 1,278	
Power cost increases in excess of the normal inflation rate at transmitter sites in Portugal and Spain.	+ 111	
Annualization of costs for expansion of high-quality programming circuits in FY 1986.	+ 45	
News and Information		+ 92
General increase in costs for news and information services.		

		Amount
Conferences		+ 3
General increase in conference costs.		
General and Administrative Costs		+ 449
General price increases for postage, office supplies, telephones, general repairs, general insurance, building maintenance, equipment maintenance, teletype, books and publications, and equipment rentals.	+ 324	
Increase in computer hardware maintenance requirements.	+ 75	
Increase in security equipment maintenance requirements	+ 50	
Capital Expenditures:		
Capital Expenditures - **Regular**		- 2,109
Reduction for one-time security projects	- 2,075	
Reduction for one-time office equipment costs for new hires	- 126	
General price increase for capital acquisitions.	+ 92	

		Amount
Capital Expenditures - Transmitter Site Modernization		+ 23,768
Conversion of Maxoqueira site (Portugal) to a transmitting station (incls. installation of 6 500-kW transmitters).	+ 17,500	
Gloria transmitter site modernization	- 12,732	
Biblis transmitter site modernization (incls. installation of 1 100-kW transmitter).	+ 4,000	
Lampertheim transmitter site modernization (incls. installation of 2 100-kW transmitters).	+ 5,000	
Near East (Israel) - initial costs in conjunction with the establishment of a new transmitter site.	+ 10,000	
TOTAL INCREASE		+ 24,260

Mr. **Forbes**. I think President Pell could probably give those to you more graphically, since he is grappling with it day to day. But I don't think it is an exaggeration to say that because of the way German labor laws work, and the way our union contracts go in that country, we would almost literally have to shut down operations in August, because of this currency shortfall.

Mr. **Pell**. Mr. Chairman, coming from Kentucky, I am reminded of Joe B. Hall's comment when asked about his Wildcats' loss to Georgetown, and how he took it. He said, "No problem at all, I slept like a baby last night. I woke up every thirty minutes and cried." That is about the same position we are going to be in, I am afraid.

As the chairman has pointed out, this is an operation that has a very, very high percentage of fixed costs associated with it. There is very little slack in there. I can certainly testify to that by virtue of having just gone through the process of cutting the required Gramm-Rudman-Hollings 4.3 percent out of it. We have done a number of analyses that have looked at what would happen in terms of reducing power, reducing hours of broadcasts, and reducing personnel. But the German labor laws, I have discovered in the three months I have been in this job in Munich, are very restrictive in terms of what they impose upon us, and the union contracts are very rigidly and rigorously enforced by the courts.

There is not much slack. There is very little give.

Mr. **Dwyer**. Laying off a large group of people is quite a chore under those German laws, as I recollect, is it not?

Mr. **Pell**. Yes, sir. Any time you reach the number of 50 in terms of layoffs or terminations, you are required to submit a termination plan to the Bavarian state government, which in addition to those requirements imposed upon us in current contracts would require us to go beyond that, and present a comprehensive plan for retraining, absorbing social costs, etcetera, that a layoff of that size would impose upon the local marketplace.

Mr. **Dwyer**. What is the status of your authorization for the appropriations for fiscal year 1987?

Mr. **Forbes**. We have authorization of about roughly $125 million. There is in the works another $42 million, primarily for modernization, $30 million for the transmitter sites in Europe, and $10 million for a future site in Israel, which is aimed at Central Asia of the Soviet Union, the Moslem populations. That is the fastest growing part of the population in the Soviet Union, and this site in Israel would enable us to reach them with a strong, what engineers call, a one-hop signal, and to do the job that we should be doing. So that together is about $42 million roughly, $41 million. About $1.8 million is in addition for currency losses. This would be for fiscal 1987. It is probably higher after today.

Mr. **Dwyer**. This Committee has provided considerable monies to modernize that. How is that moving?

Mr. **Forbes**. The modernization is progressing very well. President Pell can give you the details, but one fact that struck me as a layman on this Board for International Broadcasting was that the British Broadcasting Corporation, BBC, did an estimate recently of how much the Soviet Union devotes in resources to jamming, and this estimate comes to roughly $750 million to $1.2 billion.

What is remarkable about that figure is that if you add up the total budgets of all the Western radios that are aimed at the East and at the Soviet Union—that is Radio Free Europe, Voice of America, Deutschewelle, BBC, the whole works—add up all their resources devoted to broadcasting to the East and to the Soviet Union, you would find that the Soviet Union is devoting twice as many resources to jamming as the whole West is to broadcasting.

As you know, because they have spent so much in the way of resources in jamming, this modernization for increasing our power, increasing the number of transmitters, is essential. But fortunately that program is underway, and President Pell can give you the details on several of the sites in Portugal and elsewhere that we are working on.

Mr. Dwyer. Would you?

Mr. Pell. First, with the Munich headquarters where approximately $6 million was made available for studio modernization. That money incidentally came from some of the gains which were made on foreign currency when the market was high. We have completed the construction in Munich of 22 new state of the art, studios, and the testing is now being conducted on acceptance of the electronics to go in those studios. We expect that equipment to be shipped beginning in March, and it is our plan now to have all of those facilities fully operational by the end of this summer.

I can certainly testify to the rapid way in which this was accomplished, because to undertake a project of that magnitude, and complete it in the time which it has been completed is nothing short of miraculous in this business.

On December 13, 1985, $16.9 million was made available for technical site modernization. Those funds will permit the purchase and installation of eight 250-kilowatt shortwave transmitters which will replace obsolete ones in Portugal. We have placed an order for eight transmitters on the 6th of February, 1986 with Continental Electronics, an American manufacturer. That represents a time span of only a very few months from the time those funds were made available until the actual order was placed. We expect those to be shipped in June 1987, and all will be operational by the end of 1988.

We are also about to sign an order for another 250-kilowatt transmitter to go into another one of our locations. That is at a cost of approximately $3 million. So out of that $16.9 million, we will have obligated $9.5 million by the end of March. And as I said, the studio construction project has been completed.

We find ourselves, Mr. Chairman, let me say, in a curious position, in that we are ready and our engineering staff is capable, in my view, of accelerating the modernization program, and accomplishing what we want to in a shorter time frame than had perhaps been originally envisioned. But we are caught between authorizations, appropriations and potential obligations here.

For example, to completely modernize the facility where the eight new transmitters are going requires some additional electronics. We are ready to place those orders now, but we don't have the obligational authority to do so. We didn't come here to ask for another modernization supplemental in 1986, but I think we should go on record as stating that if those modernization funds were in fact actually available now, in terms of additional obligational authority, we could use them right now.

I think very rapid progress has been made, and I have been very impressed by the quality of the engineering staff, particularly given the fact that it is very understaffed, and I think the money has been judiciously spent, and it has been spent in a timely manner.

Mr. DWYER. What is the status of the funding that we provided for fiscal year 1985 for the increased security at some of your transmitting sites?

Mr. PELL. $2.2 million, as I recall, was made available for that purpose, and has been in fact expended. We have done perimeter fencing at some of the areas. We have completely rebuilt the entire security system at the Munich headquarters, following the bombing, which I am sure you will recall, of about four years ago. But a total of $2.2 million, has in fact been utilized, and we have completed most of the projects, except for about 20 percent I believe of perimeter fencing at one location that is still to be built and will require some additional funding.

Mr. DWYER. Is that additional funding requesred in the 1987 budget?

Mr. PELL. I am told no. The only thing in the 1987 budget is for continuing the protective contract guard services which we have, but I believe that the completion of that fencing project is a minimal funding requirement.

Mr. DWYER. Within the Board for International Broadcasting portion of your request you are requesting an increase of $9,000 for adjusting retroactive pay rates for Executive Schedule employees. Your schedule also indicates that you plan to have eight workyears this year, the same as last year. Aren't three of those eight positions vacant now? Haven't they been vacant for some time?

Mr. FORBES. The executive director of the BIB resigned as of December 31. One of the program people also resigned as of year end to take I believe a career in academia. Another person has been detailed to the State Department to work on the WARC conference which starts in January of 1987. This is an international conference concerning frequencies. The State Department requested this person, and this is obviously of vital importance to us. Without the frequencies we go out of business.

There was also a financial officer who for his own personal reasons resigned last year. That position has been posted. The candidates have been interviewed. We feel we have a top person who will be coming on we hope in the next few weeks.

The post for executive director is also posted. About 30 applicants came in. Those have been reviewed by the appropriate people in the civil service, and we hope that that position will be filled within a matter of weeks. When that person comes on board, his first task will be to examine the whole BIB staff and operation and organization, to determine how in this environment that we are in today we can best fulfill the laws that we are obliged to carry out. So I think that, yes, there are vacancies, but I think we have moved to fill those vacancies.

Mr. DWYER. How are you proceeding in fiscal year 1986 with the upgrade of your Radio Free Europe-Radio Liberty editorial improvements, for which you have requested an additional 34 positions in 1986? What technical activities are expected to increase your costs by $1,434,000 in 1987?

Mr. FORBES. President Pell can answer concerning the 34 new positions. Unfortunately, I believe that 27 will not be able to be filled, because of the requirements of the Gramm-Rudman-Hollings legislation.

Mr. PELL. That is correct, Mr. Chairman. Out of those 34 positions, seven will be obligated to cover over complements that were on the books. One of the first decisions we took when obliged to make cuts was that we would simply not fill the remaining 27 positions, in order to meet a portion of the 4.3 percent that we were obligated to reduce.

In 1987 there is no request for additional positions at all.

Mr. DWYER. Why do you anticipate an increased cost of $3,013,000 for salaries of permanent employees in 1987 over 1986 when your number of employees will remain the same?

Mr. PELL. Because of cost-of-living increases, within-grade increases, and because some of those salaries in 1986 were undoubtedly lapsed to a certain degree. I can't tell you the exact percentage, but we anticipate that because of the coming negotiations with the German unions, that we would probably be in a 3.5 to 4.5 percent salary increase alone, because of union contracts.

If I might, Mr. Chairman, just again emphasize what Chairman Forbes has already pointed out. With the modernization funds and the inflation factor taken out of the 1987 request, it is a standstill budget. We are not requesting additional positions. We are not requesting anything for enhancements or new programs. We are just trying to stand where we are.

Mr. FORBES. It might be useful to put the position we are in today in historic perspective, in the sense that 15 years ago these two radios together had about 2700 employees. The budgets were severely cut in much of the 1970s, to the point where by the early 1980s the number of employees roughly went down to 1700, so there is a loss of over a thousand jobs.

Now, part of that was because Radio Liberty and Radio Free Europe were combined in the 1970s, perhaps anywhere from 150 to 250 jobs can be accounted for there, but roughly about 800 jobs were actually lost. They really hurt us in terms of administration, in training. For instance, about 200 programmers are going to retire in the next four years, between now and 1990. That is roughly one third of our programmers.

Because of the cuts of the 1970s, we lost in effect a generation of programmers. It takes time to train these people, and because of the requirements of Gramm-Rudman-Hollings, we had originally planned to do some double slotting to start training these new people that we need. That is going to have to be put off, and that is going to make for a real crunch in the late 1980s. So we took a real hit, you might say, in the 1970s. We started to put the pieces back together in the early 1980s so, as President Pell pointed to earlier, there is not much room for give.

Mr. DWYER. I wonder if you would explain the reduction related to the pension program of $3,925,000.

Mr. PELL. As I recall, that was a one-time payment on the SIB. There was a $4.9 million figure which does not reappear. It was a one-time payment.

Mr. FORBES. To bring it up.

Mr. PELL. To bring it up to standards, and also to increase the pensions of long term——

Mr. DWYER. Retirees?

Mr. PELL. Retirements, people who retired some time ago. We felt they had been unfairly treated.

Mr. DWYER. What are the additional expenditures of $449,000 for general and administrative costs related to?

Mr. PELL. As I understand it, Mr. Chairman, in every one of these instances we are talking about the inflation factor of general operating costs and what is anticipated in the coming year. No new programs are anticipated in that.

Mr. FORBES. Those general and administrative costs would also include things like rent, which we don't have much control over.

Mr. DWYER. Will you discuss at this time and for the record the details of the Near East project costs of $10 million related to the establishment of a new transmitter site in conjunction with USIA? How much of the total costs does this represent, the $10 million?

Mr. FORBES. The total estimated cost for the 10 transmitters that we hope to see is now estimated roughly in the range of $150 million. It goes out for several years, because the type of equipment, as I understand it, is very sophisticated, very unusual, and there is a much longer lead time than normal. It is not off the shelf, so to speak, so that $10 million is really doing I think things like engineering studies and things of that sort.

Mr. DWYER. Have you worked out a sharing arrangement with USIA on this?

Mr. FORBES. Yes, we have. They will have six transmitters, we will have 10, and the costs I believe are prorated based on that.

Mr. DWYER. What are the estimated annual operating expenses or costs for this site, to both yourselves and USIA?

Mr. PELL. That is a good question. Let me answer that one in this perspective, if I might. Before coming to this job I was director of the Voice of America, so I have been involved in these negotiations from both sides as a matter of fact. To the best of my knowledge, neither USIA nor the BIB nor RFE/RL has reached a proposed figure on estimated operating costs. One of the reasons for that is the negotiations have not been concluded, and there is still some question, in fact a very large question, as to who in fact is going to operate the facility. Will it be an arrangement such as the VOA has with the BBC and the British in Great Britain, or will it be a station that is in fact operated by American personnel or managed by American personnel. That has not been determined yet.

Mr. DWYER. I can understand that as far as the sharing portion is concerned, but when you make a $150 million investment you ought to have some idea what it is going to cost to operate. Does anybody have an idea of what it is going to cost to operate on an annual basis?

Mr. PELL. I don't.

Mr. DWYER. Can you provide it for the record?

Mr. PELL. Yes, sir, we will.

Mr. **Forbes**. The negotiations we hope will be completed within 12 months, and we will certainly be able to get more specific figures at that.

Mr. **Dwyer**. Please give us the ratios. It seems to me that lying somewhere in all of these records should be an estimate of what it is going to cost to operate on an annual basis, before it was decided to go ahead.

Mr. **Pell**. We can certainly provide for the record estimates of what the potential operating costs would be under various possible arrangements with the host government.

Mr. **Dwyer**. Gentlemen, we are going to have some questions that we will submit to you for the record, and Mr. Pell, we will make your statement part of the record.

I see Mr. Wattenberg is here, the Vice Chairman. I wonder if he might want to say something for the record. Ben, can you bring me up to date on the Philippines?

Mr. **Wattenberg**. Just one word. Obviously I agree 100 percent with what my colleagues have said. It seems to me as I was listening to it, when you consider the most remarkable geopolitical moment we are in now, with the summits going on, with a new General Secretary in the Soviet Union whom everyone says is a public relations master, or trying to be a public relations master, that the so-called contest of ideas has heated up to a point where it is becoming a preeminent factor in our foreign policy.

As we both saw in the Philippines, Congressman, the media plays one very big role in politics these days.

Mr. **Dwyer**. Everybody runs for the TV station.

Mr. **Wattenberg**. That is it, and here we have a national instrument, these radios which we built up and cultivated over decades, which our primary window and megaphone into Eastern Europe and the Soviet Union. It is the impression I get every time we come up here, that we spend hundreds of billions of dollars on the defense budget. I am a hawk, as you know, and I am all for that. But it makes me want to cry a little bit when we get into what is coffee money or swizzle-stick money for the Pentagon, and we are talking about currency conversions and such trivial sums of money, when the moment is so propitious that we really ought to be moving forward, as the President and the Congress over the recent years have both indicated, that I just think that is worthy of noting at this point.

Mr. **Dwyer**. Thank you, Ben. My grandmother used to say if you watch the pennies the dollars will take care of themselves. Thank you, gentlemen.

Mr. **Forbes**. Thank you very much, Mr. Chairman.

Mr. **Pell**. Thank you, sir.

[Questions for the record and the answers thereto follow:]

QUESTIONS SUBMITTED BY CONGRESSMAN SMITH

QUESTION: Can you effect any efficiencies within your organization in order to absorb some of these reductions for fiscal year 1986 imposed by the devaluation of the currency?

ANSWER: We have already effected efficiencies in order to absorb reductions in FY 1986 imposed by the Gramm-Rudman-Hollings legislation. These included cutbacks in travel and free-lance funds, computerization, and a decision not to fill 27 positions, funds for which had originally been appropriated.

Eighty percent of our operating budget is used to purchase foreign currency. Seventy percent of our operating budget is devoted to personnel compensation. There is little slack which permits efficiencies beyond those already introduced because of Gramm-Rudman-Hollings.

Cutbacks in transmitters, power, etc. would negate our mission, and in any event would not make up the deficit imposed by devaluation of the Dollar.

QUESTION: What type of operational reduction would you sustain if the Congress did not enact a supplemental?

ANSWER: If the Congress does not enact a supplemental to make up foreign currency losses we shall be forced to cease operations. At the current Dollar-Deutsche Mark value we stand to run out of FY 1986 operating funds by the end of June. If that happens, we face the prospect of no more broadcasting. Personnel compensation accounts for 70 percent of our operating costs, so savings on power, transmitters, etc. would not even make up the difference.

On personnel, we are up against union contracts and German labor laws which greatly restrict our ability to achieve savings. For example, we have 137 employees with less than two years' service. Were we to terminate them all our FY 1986 savings would only be about $75,000 because of severance payments and other contractual obligations. Further, we would negate all previous efforts to rejuvenate a rapidly aging staff by terminating those we have hired most recently.

Still more complicating is the fact that should a termination count exceed 50 employees, we would be required to petition the Bavarian Labor Ministry for approval to take the action, and substantiate that our budget allocation does not permit us to retain those employees.

Tied to this approval would be a requirement to establish a "social plan", jointly with the Works Council, to determine which employees are to be terminated, to provide additional severance payments, to arrange for re-training of employees, and to meet other social needs of those affected.

Our budget does not contain provisions for covering the costs of extensive staff reductions. Funds would have to be appropriated for this purpose.

QUESTION: At what point would you need the $14.5 million in order to maintain your operations? That is, if Congress provided a supplemental later in the year than anticipated, what would be your supplemental requirements as of June 1, July 1, August 1, and September 1? Please provide these for the record. Does your authorization for fiscal year 1986 provide for an increase of $14.5 million above the 1986 appropriation level?

ANSWER: The attached table shows projected monthly foreign currency losses for FY 1986. Taking into consideration the balance of $3,395,000 remaining in the Foreign Currency Devaluation Fund, RFE/RL will need to receive the entire $14.5 million by the end of June to maintain operations and to sustain projected losses through June 30th alone. There is authorization in BIB Act, as amended, to appropriate "such additional amounts as may be necessary for any fiscal year to offset adverse fluctuations in foreign currency exchange rates.." to maintain the authorized level of operations. Therefore, FY 1986 does provide for an increase of $14.5 million above the FY 1986 appropriation level of operations.

QUESTION: Fiscal Year 1987 Budget Request

What is the status of your authorization for appropriations for fiscal year 1987? What is the status of the facilities modernization program pursuant to the funds we have appropriated thus far?

ANSWER: The BIB's fiscal year 1987 authorization is currently at $125,000,000. We are seeking authorization for fiscal year 1987 of $167,509,000 as requested in the President's budget.

On December 13, 1985, $16,955,000 was made available for technical modernization. On February 6, 1986, an order for 8-250 kW transmitters was placed with Continental Electronics, a U.S. firm, obligating $6,675,412 of the $16,955,000.

An order for one additional 250 kW transmitter to be installed in Spain is expected to be placed later this month obligating an additional $750,000. The remainder of the funds will be committed for the installation of the 250 kW transmitters and other needed improvements at existing RFE/RL transmitting facilities. We currently estimate that $9,575,000 of the $16,955,000 will be obligated in FY 1986, and the remaining $7,380,000 will be obligated in FY 1987.

QUESTION: You are requesting an increase of $29,000 for travel and transportation of persons. What is the total level of request for travel that you have in your budget for 1987? Do you now have some nonrecurring travel expenses in 1986 that can be assumed or transferred into this request for 1987?

ANSWER: The BIB has for travel in FY 1987 $198,000. No, travel funds expended thus far are in line with FY 1986 projected estimates and the remaining travel funds will be expended in this fiscal year.

QUESTION: For other services, you are requesting an increase of $13,000. Please detail for the record what your dollar expenses by activity and function are anticipated to be in fiscal year 1987 for other services.

ANSWER: Details of other services for FY 1987:

		Increase FY 87/86
Payments to Commercial Contractors:		
Financial auditing	$110	$ 5
Personal services (evaluations)	55	–
Commercial vendors (services)	6	–
Official representational expenses	6	–
GSA Administrative Support	50	6
Payments to Other Government Agencies (security clearances, training, health, health counseling, etc.)	10	2
Total	$237	$ 13

QUESTION: Radio Free Europe-Radio Liberty Grant Request

What technical activities are expected to increase your costs by $1,434,000 in 1987? Why do you anticipate an increased cost of $3,013,000 for salaries of permanent employees in 1987 over the 1986 estimate when your number of employees will remain the same? Please explain the reduction related to the pension program of $3,925,000. What are the additional expenditures of $449,000 for general and administrative costs related to?

ANSWER: The increase in technical costs of $1,434,000 provides for inflationary increases for power, technical maintenance and repairs, communications, and spare parts and provides for the annualization of costs for high-quality program circuits installed in FY 1986.

The $3,013,000 provides for salary increases and within-grade increases for permanent employees in accordance with union contracts and licensing agreements in the various countries in which RFE/RL operates. Provision is also made for annualization of costs for salaries for the Afghan service staff.

Congressional legislation freeing up the use of FY 1985 foreign currency gains in FY 1986 granted a one-time pension payment in the amount of $4,900,000 to the Society for International Broadcasters (former RFE/RL employees). The reduction of $4,900,000 for this nonrecurring item in FY 1987 is offset by actuarially determined funding increases of $975,000 for RFE/RL's U.S., German, Spanish, and Portuguese pension plans. The net reduction in pension plan funding is $3,925,000 in FY 1987.

The FY 1987 budget includes $324,000 for inflationary increases in the costs for building and equipment maintenance, equipment rental, postage, office supplies, teletype, books and publications, communications, and general insurance. Expanded maintenance contracts will be required in FY 1987 to cover computer hardware and software acquisitions in FY 1986; an amount of $75,000 is included for this purpose. The FY 1986 budget provides for expanded security systems in West Germany and Iberia; and amount of $50,000 is included in FY 1987 for maintenance of the additional security equipment.

QUESTION: Capital Expenditure Requests

You are requesting a total of $23,768,000 as an increase for your capital expenditure program. However, this also reflects a reduction of $12,732,000 appropriated in 1986 as an offset. Please provide for the record the detailed expenditures related to the $17,500,000 for the conversion of the Maxoqueira site to a transmitting station and how these outlays would be spread over the next three fiscal years.

ANSWER: The conversion of the Maxoqueira site to a transmitting site will cost $42,750,000 with obligations spanning FY 1987 and FY 1988 and outlays covering FY 1987 through FY 1990.

The $17,500,000 in FY 1987 will be obligated for the purchase of 6 - 500 kW shortwave transmitters, the needed construction work for buildings, and for engineering costs.

The outlay schedule for the $42,750,000 is as follows:

FY 1987	$ 10,500,000
FY 1988	20,400,000
FY 1989	9,325,000
FY 1990	2,525,000

QUESTION: Please provide for the record specifically how the $4,000,000 requested increase for the Biblis transmitter site modernization would be expended and what the outlays would be over the next four years.

RFE/RL, INC.

Currency Devaluation Fund

FY 1986
(in thousands of dollars)

	Fund Balance
Currency Devaluation Fund Reserve - Balance as of September 30, 1985	$ 3,395

Foreign Currency Loss Projection based on the following rates from The Wall Street Journal for 3/4/86

Deutsche Mark	2.20
Escudo	146.50
Peseta	139.05

	Currency	Requirements in Dollars				
	DM	Escudo	Peseta	Loss		
October 1985 - February 1986	25,007	2,811	1,913	5,948	(Actual)	(2,553)
March	11,922	1,089	387	4,962		(7,515)
April	5,553	700	500	2,404		(9,919)
May	5,334	700	400	2,293		(12,212)
June	5,901	1,068	400	2,554		(14,766)
July	5,700	600	300	2,407		(17,173)
August	5,436	700	852	2,440		(19,613)
September	6,097	1,450	1,300	2,880		(22,493)
Totals	70,950	9,118	6,052	25,888		

Projected Net Loss $ 22,493

March 5, 1986

ANSWER: Assuming that the full funds requested for the modernization of the RFE/RL flagship station located in Gloria, Portugal are appropriated, it is our intention to use the $4,000,000 (total obligation for the project is $5,000,000) to make the needed improvements at the Biblis transmitter site. There are eight 100 kW and two 50 kW transmitters at Biblis. One 100 kW transmitter will be installed this summer, replacing one of the 50 kW transmitters. The other 50 kW will be replaced with a 100 kW assuming funds are available.

Biblis is located in a dense communications area of West Germany. Spurious and harmonic radiation radiation from this station often causes harmful interference. This plan calls for the installation of a well-shielded coax antenna switch matrix, which will reduce spurious signal levels. In addition, provisions will be incorporated which will allow the combining of 100 kW transmitters for 200 kW operation on most antennas and will therefore enhance scheduling flexibility. Before commitments can be made for purchase of needed equipment, the necessary license revisions must be obtained from the Bundespost.

Outlays

FY 1987	$ 2,400.000
FY 1988	1,800,000
FY 1989	700,000
FY 1990	100,000

QUESTION: Please provide for the record specifically what the $5,000,000 requested increase related to the Lampertheim transmitter site modernization details are and how these outlays would be spread over the next four fiscal years.

ANSWER: Assuming that the full funds requested for the modernization of the RFE/RL flagship station located in Gloria, Portugal are appropriated, it is our intention to use these funds to make the needed improvements at the Lampertheim transmitter site. The total modernization for this site is $6,500,000. In order to fully utilize the Lampertheim facilities, it is necessary to have 10 transmitters available. There are currently 4 - 100 kW and 6 - 50 kW transmitters at Lampertheim. Three 100 kW transmitters will be installed at Lampertheim this summer. There will then be 7 - 100 kW and one 50 kW transmitter in Lampertheim after installation. With the $6,500,000 we plan to install two additional 100 kW transmitters, bringing the count to nine 100 kWs. The one 50 kW transmitter will remain in service for dedicated operation in the Russian East European Service. A fully flexible coax switch matrix and antenna combining facilities are to be installed; two rhombics will be nested, and one curtain array will be installed. These changes will significantly enhance RL areas signals served by this station. In addition, combining capabilities to allow 200 kW operation from this station will enhance its scheduling flexibility. The needed license modifications will have to be obtained from the West German Government before this equipment can be placed in operation.

Outlays

FY 1987	$ 3,000,000
FY 1988	2,400,000
FY 1989	950,000
FY 1990	150,000

QUESTION: Please discuss with us here and provide for the record the details of the Near East costs of $10,000,000 related to the establishment of a new transmitter site in conjunction with USIA.

— How much of the total cost does this represent?

— Have you worked out the sharing arrangements with USIA?

— How much in total will the Near East facility cost?

— What are the estimated annual operating expenses of this facility for BIB and USIA?

ANSWER: The joint Near East BIB/VOA transmitting site consisting of 16 - 500 kW transmitters is estimated to cost $285,000,000 (BIB $150,000,000: 10 - 500 kW transmitters and VOA $135,000,000: 6 - 500 kW transmitters).

The $10,000,000 is the BIB projected share of the start-up costs for this project. Start-up costs include Architectural and Engineering studies, site preparation and initial equipment costs.

An agreement has been reached on the sharing of construction costs, but no formal agreement on the sharing of operating costs can be reached until the exact nature of the operating entity for this station is known. However, based on projected transmitter hours of both BIB and VOA, the estimated total annual operating costs will be $10,022,000. Based on the ratio of the BIB and VOA operating hours, the split between BIB and VOA is $6,263,750 and $3,758,250, respectively.

HOUSE APPROPRIATIONS SUBCOMMITTEE QUESTIONS

QUESTION 1: What would be the impact on the activities of each agency in the department if each agency received the same amount for FY 1987 that was appropriated for FY 1986 before sequestration with no other adjustment for uncontrollable items?

ANSWER: The Board for International Broadcasting requires $126,786,000, at the Office of Management & Budget established rate of DM 2.53, for operations in FY 1987. This is a treadmill budget, providing only for cost-of-living and inflationary increases over the FY 1986 base budget. Approximately eighty percent of the annual budget for FY 1987 is required for personnel compensation and contractual obligations for office space, minimum power, license agreements, wire services, security guard services, and professional services. The following answers are based on the FY 1986 appropriated level of $98,284,000 after sequestration. However, at Congressional initiative $24,130,000 was appropriated in FY 1985 to be used by RFE/RL in FY 1986 for capital modernization and operations. This amount should be considered part of the FY 1986 level, bringing the baseline to $122,414,000 instead of $98,284,000.

If foreign currency exchange rates remain in FY 1987 at current levels, and supplemental funds are not provided to cover foreign currency losses in 1987, RFE/RL will run out of cash and shall be forced to cease operations at the $102,700,000 funding level. In the event that RFE/RL should "go-out-of-business", current estimated costs of $330,000,000 would be needed to cover liquidation.

If the Board receives only $102,700,000, the FY 1986 Appropriation before sequestration with no adjustment for inflation and foreign currency losses, it would mean a 39% overall reduction in the 1987 budget. If minimal funding for modernization is not provided, operations will soon be curtailed due to the age and inadequacy of the current transmitting system. Even if funds for modernization were totally eliminated, the operating budget would suffer a 20 percent reduction, providing funding for limited personnel compensation and contractual obligations only. Before considering shutting down, the following serious, damaging cuts in programming and operations would be undertaken:

— Transmitters could be operated only during prime hours for approximately nine hours a day at less than one quarter of current power, seriously impairing signal audibility and permanently losing access to some existing frequencies. This "economy" would negate the broadcast mission of RFE/RL and through the locs of frequencies, RFE/RL will never be able to resume a full broadcast schedule.

— Twenty-seven new positions included in the original FY 1986 budget will continue to remain vacant in FY 1987.

— One-third of the senior broadcast staff is scheduled to retire by 1990 - it will not be possible to recruit and train replacements, meaning that small broadcasting services in important Baltic and Soviet Central Asian areas would be faced with curtailed programming.

— Adequate information processing through computers would be halted in midstream.

— Program services would be unable to avail themselves of freelance expertise; audience and opinion research would be stopped; travel would be halted, thus stopping vital news gathering activities.

— Pension funding would be restricted to the minimum legal requirements.

— Antenna and technical equipment maintenance would be performed only for urgent safety or legal reasons.

— Funds for capital acquisitions would not cover required replacements.

Additionally, the technical facilities modernization program started in FY 1986 at the transmitter sites in Portugal and West Germany with FY 1985 appropriations would be halted, rendering practically by useless transmitters already purchased but not yet installed. Plans for the vital joint transmitter site in Israel with the Voice of America would be dropped.

QUESTION 2: If the Department received the same amounts in FY 1987 that it received in FY 1986 after sequestration, what would be the impact on the activities of each agency?

ANSWER: The post-sequestration level represents an overall 41 percent cut in BIB's 1987 budget requirements. Even if funding for modernization is delayed or eliminated, the effects of a 20% reduction in funding for operations as indicated in the answer to Question 1 are extremely serious and the operation could not be continued if any additional foreign currency losses are not completely funded. The effects of an additional 4.2% reduction to the FY 1987 operating level to $98,284,000 (the FY 1986 Appropriation after sequestration) would be crippling. RFE/RL would be forced to turn off its transmitters.

Personnel costs account for 70% of the budget. Little savings can be accomplished by not filling positions as they become vacant. RFE/RL is hampered in achieving savings through terminations due to union contracts and licensing agreements providing for severance payments and social plans which would result in two years of pay for each employee plus large one-time pension contributions. Our budget does not cover the costs of extensive staff reductions; funds would have to be appropriated for this purpose.

QUESTION 3: What would be the impact on each of the agencies in the department if each were to receive a percentage reduction of 8.4 percent below the FY 1986 amount, adjusted for sequestration?

ANSWER:	With a further reduction of 8.4% to the FY 1986 budget level to $90,028,000, RFE/RL would be forced to cease operations. This level represents only 54% of the total requirements for FY 1987, and even after personnel economies, where possible, there would be insufficient cash to meet personnel costs and contractual obligations; there would be no funds for power and transmission lines, free lance, program and operations travel, administrative and professional services. Modernization of facilities would be terminated.
QUESTION 4:	What action is the department taking to consider these possibilities...have you formed a task force or done any contingency planning?
ANSWER:	The Board of Directors of the Board for International Broadcasting and RFE/RL have taken steps to effect economies in FY 1986 that could have carry-over savings in FY 1987. An array of working groups and task forces have examined all possible cost areas and possible avenues for savings. However, these savings in total would be woefully inadequate in meeting the funding levels outlined in the above three questions. RFE/RL operations are influenced by factors over which we have no control — laws, inflation, and fluctuating foreign currency rates in the various countries in which we operate. When possible and where desirable some positions in the Munich headquarters broadcast operation have been transferred to the United States, over the long run effecting some savings in benefits and reducing foreign currency dependency. RFE/RL Management is currently examining the broadcast services to determine whether they could operate effectively with further reduced staffing and additional reductions in free lance usage. An RFE/RL Management team, at the request of Senator Rudman, has reviewed the liabilities involved in closing down RFE/RL.

QUESTIONS SUBMITTED BY CONGRESSMAN O'BRIEN

QUESTION: I note in your statement that the RFE/RL is undertaking a joint broadcast operation with the Voice of America in Israel.

a) What are the total anticipated costs of RFE/RL's participation in this project?

b) Will costs for this project be shared equally by the VOA and RFE/RL?

c) With respect to staffing, how many RFE/RL personnel will be assigned to this new facility?

d) How many hours of broadcasting per week are planned?

ANSWER: a) RFE/RL's cost for this project is currently estimated at $150,000,000. The project includes the installation of 16 - 500 kW shortwave transmitters — ten for RFE/RL and six for the VOA. The total U.S. Government cost for this project is estimated to be $285,000,000.

b) Construction costs will be shared on an equal unit base cost prorated on a percentage ratio of the facilities needed for RFE/RL and the VOA. For example, RFE/RL will have 10 transmitters, and VOA will have 6; therefore, RFE/RL share of the transmitter costs will be 10/16th of the total costs.

c) Staffing needs will depend on the nature of the agreement with the host country. For example, if the host country owns and operates the facilities, RFE/RL's staffing need would be minimal to meet oversight needs. In the case where the new facility is owned and operated by the USG, it may be necessary for the VOA and RFE/RL to share in the staff needs. Currently, on this basis, a total staff of 129 would be needed for this facility. On the basis of 10/16th, eighty would be RFE/RL employees.

d) RFE/RL plans to broadcast 24 hours daily in Russian and Central Asian languages from these stations for a total of 2,000 transmitting hours daily.

QUESTION: With respect to the Gramm-Rudman-Hollings reductions, you indicate that 27 new positions provided in the FY 1986 appropriation will not be filled. What are those positions?

ANSWER: Twenty-Seven New Positions - Tentative Allocation

Engineering	
5 Modernization Project Staff	10
5 Studio Operators	
Computer	
1 Data Base Administrator	4
3 Systems/Applications Programmers	
Radio Free Europe	
1. Editor - Lithuanian Service	3
2. Editor - Latvian Service	
3. Editor - Estonian Service	
Radio Liberty	3
1. Editor - Ukrainian Service	
2. Programmer - Ukrainian Service	
3. Programmer - Azeri Service	
Broadcast Analysis	3
1. Central Asian Languages Translator/Analyst	
2. English Language Editor	
3. Ukrainian Translator Analyst	
Central News	1
1. Copy Clerk/Distribution Clerk for Infoservice	
Administration	3
1. Compensation Specialist - Personnel	
2. Night Supervisor - Security	
3. Labor Relations Specialist - Personnel	
Total	27

QUESTION: Will the Gramm-Rudman-Hollings cuts have any impact on the quality of programming or the current broadcast schedule?

ANSWER: The Gramm-Rudman-Hollings reductions mean that twenty-seven key programming and support positions will not be filled. RFE/RL will be unable to increase programming to audiences in the important Baltic, Ukrainian, and Soviet Central Asian areas; will be unable to provide the necessary administrative support for development and implementation of personnel systems; will be unable to provide complete support for technical modernization and computer expansion; and will be unable to satisfy Congressional requests for tighter oversight through strengthening of broadcast analysis. Freelance assistance and travel for our broadcasting services will be severely curtailed, thus restricting programming flexibility. The in-house program for editorial training, language training and professional development has been reduced to a minimum level. One-third of the senior broadcast staff is scheduled to retire by 1990; there will be no double slotting program in FY 1986 to recruit and train replacements for these key staff members.

QUESTION: The increase in your FY 1987 operating budget is primarily for adjustments for inflation in the countries where there are operations. Please provide for the record the current rates of inflation of the respective countries that were used to calculate the increases.

ANSWER: Inflation rates used in calculating the increases for FY 1987 are: Germany - 3.5 percent, U.S. - 4. 2 percent, Portugal - 23.0 percent, and Spain - 12.0 percent.

QUESTION: Does the FY 1987 supplemental request take into account and make allowances for further devaluations of the dollar against other currencies?

ANSWER: The FY 1986 supplemental request takes into account devaluations in the Dollar against foreign currencies as follows:

Currency	Budget Exchange Rates	Supplemental Exchange Rates
Deutsche Mark	3.08	2.4595
Escudo	160.16	157.00
Peseta	171.80	153.60

(The exchange rates on March 4, 1986 were: Deutsche Mark 2.20; Escudo - 146.50; and Peseta - 139.05. Projected net foreign currency losses for FY 1986 are $22,493,000.)

The FY 1987 budget request includes a foreign currency adjustment from the above stated budget rates to Deutsche Mark 2.53; Escudo 159.10 and Peseta 155.20.

QUESTION: What are the estimated costs of BIB participation in the World Administrative Radio Conference to be held in Geneva, Switzerland?

ANSWER: Estimated costs of BIB participation in WARC:

4 Staff (2 Board Members/2 Staff) Roundtrip Airfare at $2,200)..........................	$ 8,800
Per Diem at $100 x 85 Days....................	8,500
Miscellaneous Expenses (4 Staff x $675)........	2,700
Total......................	$20,000

QUESTION: In the area of administrative costs under the heading "technical", you show an increase of $1,434,000 in FY 1987 over the FY 1986 appropriation. What does that increase include?

ANSWER: The increase of $1,434,000 in technical costs provides $1,389,000 for inflationary increases for power, technical maintenance and repairs, spare parts and communications and $45,000 for annualization of costs for high-quality programming circuits installed in FY 1986.

QUESTIONS SUBMITTED BY CONGRESSMAN REGULA

QUESTION: The conference agreement for FY 1986 provided for an enhancement of $433,000 to provide new service to Afghanistan. What has been done to date for the provision of this service?

ANSWER: Radio Free Afghnistan made its first broadcast to the Afghan people on October 1, 1985. We have begun on a modest scale with two 15 minute first-run broadcasts per week in Dari employing one staffer and using freelance assistance. There are plans to expand the service as talent becomes available. Our ultimate goal will be to broadcast 30 minutes a day, seven days a week.

QUESTION: What American preference is given the modernization program for Radio Liberty and Radio Free Europe? Are American contractors encouraged to participate in this program?

ANSWER: In every case, preference is given to American contractors to quote on RFE/RL modernization programs. By actively seeking competitive bids from U. S. manufacturers, RFE/RL encourages their participation in these programs.

RFE/RL procurement policies stipulate that at least three written bids be obtained for procurements over $20,000. In instances when there were less than three qualified U.S. firms to quote on the needed equipment, foreign firms were invited to submit their competitive bids.

For example, since 1976 RFE/RL has purchased 32 new transmitters. All 32 were purchased from a U. S. manufacturer, although foreign firms also submitted quotations. In every case, U.S. firms provided the best equipment for the price.

QUESTION: What advancement have we made in technology since last year to counteract jamming? Are the bigger towers under the modernization program our only counteroffensive?

QUESTIONS SUBMITTED BY CONGRESSMAN REGULA

QUESTION The conference agreement for FY 1986 provided for an enhancement of $433,000 to provide new service to Afghanistan. What has been done to date for the provision of this service?

ANSWER: Radio Free Afghanistan made its first broadcast to the Afghan people on October 1, 1985. We have begun on a modest scale with two 15 minute first-run broadcasts per week in Dari employing one staffer and using freelance assistance. There are plans to expand the service as talent becomes available. Our ultimate goal will be to broadcast 30 minutes a day, seven days a week.

QUESTION: What American preference is given the modernization program for Radio Liberty and Radio Free Europe? Are American contractors encouraged to participate in this program?

ANSWER: In every case, preference is given to American contractors to quote on RFE/RL modernization programs. By actively seeking competitive bids from U. S. manufacturers, RFE/RL encourages their participation in these programs.

RFE/RL procurement policies stipulate that at least three written bids be obtained for procurements over $20,000. In instances when there were less than three qualified U.S. firms to quote on the needed equipment, foreign firms were invited to submit their competitive bids.

For example, since 1976 RFE/RL has purchased 32 new transmitters. All 32 were purchased from a U. S. manufacturer, although foreign firms also submitted quotations. In every case, U.S. firms provided the best equipment for the price.

QUESTION: What advancement have we made in technology since last year to counteract jamming? Are the bigger towers under the modernization program our only counteroffensive?

ANSWER: More powerful transmitters and higher gain curtain antennas are our first line of defense against the Soviet jamming efforts. During the last two years, not only has the technology of the hardware being used to counter-act jamming (transmitters, antennas, etc.) but also the software (radio propagation computer codes and knowledge of the jammer network).

In 1984 the first session of the High Frequency Broadcasting World Administrative Radio Conference - HFBC WARC - the delegates agreed on a resolution known as Com. 5/1. This resolution called for the administrations harmed by jamming to undertake a study directed at determining the harmful affects of jamming and to undertake a monitoring program designed to locate the jammer transmitter.

The NTIA in a joint effort with the FCC was charged with the responsibility of coordinating the U.S. efforts to collect the needed data as specified by Resolution Com. 5/1.

The NTIA and FCC in coordination with other Foreign Administrations developed a worldwide monitoring network in order to collect the needed data on the Soviet jamming network. NTIA also developed a sophisticated computer code to analyze the monitoring data collected. The BIB and RFE/EL contributed $137,500 to the NTIA-FCC to help cover the costs of this major effort.

Along with the NTIA efforts and other studies designed to improve the radio propagation predictions, RFE/RL is now better able to schedule its facilities to counteract jamming. This new capability has also permitted RFE/RL to better plan its need for new equipment to counteract jamming.

TUESDAY, FEBRUARY 25, 1986.

MARINE MAMMAL COMMISSION

WITNESSES

WILLIAM E. EVANS, Ph.D., CHAIRMAN
JOHN R. TWISS, JR., EXECUTIVE DIRECTOR
ROBERT J. HOFMAN, Ph.D., SCIENTIFIC PROGRAM DIRECTOR
DONALD C. BAUR, GENERAL COUNSEL

Mr. EARLY. The meeting will come to order.

This afternoon we will begin with the Marine Mammal Commission, and here to testify is Dr. William Evans, the Chairman of the Marine Mammal Commission, and Mr. John Twiss, the Executive Director.

The budget request for the Marine Mammal Commission is $848,000 for 1987, which represents a decrease of $15,000 from the adjusted appropriation in fiscal year 1986, after the Gramm-Rudman sequestration of $39,000 has been effected.

At this point we will insert the justifications in the record.

[The information follows:]

MARINE MAMMAL COMMISSION
1625 EYE STREET, N.W.
WASHINGTON, DC 20006

MARINE MAMMAL COMMISSION

ANNUAL ESTIMATE OF APPROPRIATION

FISCAL YEAR 1987

COMMITTEE ON APPROPRIATIONS
SUBCOMMITTEE ON COMMERCE, JUSTICE, STATE,
THE JUDICIARY AND RELATED AGENCIES
HOUSE OF REPRESENTATIVES

5 February 1986

MARINE MAMMAL COMMISSION

SALARIES AND EXPENSES

For necessary expenses of the Marine Mammal Commission as authorized by Title II of Public Law 92-522, as amended [$900,000], $848,000.

MARINE MAMMAL COMMISSION

CONSULTING SERVICES - FY 1987

Pursuant to PL 96-304, §307(a) and (b), this is to advise that the Marine Mammal Commission budgeted no funds for consulting services for FY 1987. During FY 1985, no dollars were spent for consulting services; during FY 1986, it is anticipated that approximately one thousand dollars will be spent on consulting services. Consultants have been used for such things as preparation of marine mammal bibliographies, technical reviews of reports, and the provision of advice to the Commission based upon consultant participation in meetings.

[illegible]

STANDARD FORM 300
[illegible]

MARINE MAMMAL COMMISSION
SALARIES AND EXPENSES
Program and Financing (in thousands of dollars)

Identification code 95-2200-0-1-302	19 85	19 86	19 87
Program by activities:			
10.00 Total obligations	929	900	848
Financing:			
25.00 Unobligated balance lapsing ..	---	---	---
40.00 Budget authority (appropriation)	929	900	848
Relation of obligations to outlays:			
71.00 Obligations incurred, net	929	900	848
72.40 Obligated balance, start of year	302	415	262
74.40 Obligated balance, end of year ....-..................	-415	-262	-243
77.00 Adjustments in expired accounts	-5	---	---
90.00 Outlays	811	1053	867
[illegible]	[illegible]	[illegible]	[illegible]

STANDARD FORM 304
May 1969, Bureau of the Budget
Circular No. A-11, Revised
304-103

MARINE MAMMAL COMMISSION
SALARIES AND EXPENSES

OBJECT CLASSIFICATION (in thousands of dollars)

Identification code		1985 actual	1986 estimate	1987 estimate
	Personnel compensation:			
11.1	Permanent positions	348	438	477
11.3	Positions other than permanent	71	74	74
11.5	Other personnel compensation	---	---	---
11.8	Special personal services payments	---	---	---
	Total personnel compensation	419	512	551
	Personnel benefits:			
12.1	Civilian	73	61	66
13.0	Benefits for former personnel	---	---	---
21.0	Travel and transportation of persons	40	40	45
22.0	Transportation of things	15	7	8
23.1	Standard Level User Charges-----	35	35	46
23.0	Rent, communications, and utilities and other rent	27	29	33
24.0	Printing and reproduction	2	3	8
25.0	Other services	278	203	79
26.0	Supplies and materials	10	10	11
31.0	Equipment	30	---	1
32.0	Lands and structures			
33.0	Investments and loans			
41.0	Grants, subsidies, and contributions			
42.0	Insurance claims and indemnities			
43.0	Interest and dividends			
44.0	Refunds			
99.0	Total obligations	929	900	848

U.S. GOVERNMENT PRINTING OFFICE : [illegible]

STANDARD FORM 300
July 19[illegible], Bureau of the Budget
Circular No. A-11, Revised.
[illegible]

MARINE MAMMAL COMMISSION
SALARIES AND EXPENSES
PERSONNEL SUMMARY

Identification code 95-2200-0-1-302	1985 actual	1986 estimate	1987 estimate
Total number of full-time permanent positions	11	11	11
Total compensable workyears:			
Full-time equivalent employment	10	12	12
Full-time equivalent of overtime and holiday hours	--	--	--
Average GS grade	11.63	11.54	11.64
Average GS salary	$35,235	$39,818	$43,363

Type size:
8 point
14½ picas
Fed. BL solid

STANDARD FORM 306
July 1949, Bureau of the Budget
Circular No. A-11, Revised
[illegible]

MARINE MAMMAL COMMISSION
SALARIES AND EXPENSES

DETAIL OF PERMANENT POSITIONS

	1985 actual	1986 estimate	1987 estimate
GS-18	1	1	1
GS-15	1	2	2
GS-14	2	2	2
GS-13	1	-	-
GS-11	3	3	3
GS-9	1	-	-
GS-8	1	1	1
GS-7	-	-	1
GS-6	-	1	-
GS-4	1	1	1
Total number of full-time permanent positions	11	11	11
Total compensable workyears: Full-time equivalent employment	10	12	12
[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

MARINE MAMMAL COMMISSION

Background

The Marine Mammal Protection Act of 1972 sets forth a national policy to prevent marine mammal species and population stocks from diminishing, as a result of human activities, beyond the point at which they cease to be a significant functioning element in the marine ecosystem. Congress directed that the primary objective of marine mammal management should be to maintain the health and stability of the marine ecosystem, and, consistent with this primary objective, to obtain optimum sustainable populations of marine mammals.

FY 1986 to Date

The Marine Mammal Commission's FY 1986 Congressional justification noted that the Commission would focus on: assessing and preventing or reducing the incidental take of marine mammals and other marine organisms in lost and discarded fishing gear and other debris; continuing efforts to effectively implement the Hawaiian Monk Seal Recovery Plan, the Southern Sea Otter Recovery Plan, and the Convention on Conservation of Antarctic Marine Living Resources; developing and implementing recovery plans for right whales and other endangered cetaceans; evaluations of habitat essential to certain species of marine mammals; and improving planning and coordination of marine mammal research being conducted or supported by the Minerals Management Service, the National Marine Fisheries Service, the Fish and Wildlife Service, and other organizations.

To meet these FY 1986 objectives, a number of steps have already been taken.

With regard to incidental take in lost and discarded fishing gear and other debris, the Commission has advised the National Marine Fisheries Service on priority actions that should be taken in FY 1986 to better document and resolve incidental take problems. Commission representatives also participated in developing U.S. positions for the 22nd Session of the International Maritime Organization's Marine Environment Protection Committee (London, 2-6 December 1985) during which a number of matters related to the at-sea discard of plastics and other debris were considered. At present, the Commission is reviewing the National Marine Fisheries Service's proposed entanglement program plan for FY 86.

Efforts to continue effective implementation of the Hawaiian Monk Seal Recovery Plan, the Southern Sea Otter Recovery Plan, and the Convention on the Conservation of Antarctic Marine Living Resources are proceeding as described in the Commission's Annual Report for Calendar Year 1985. With regard to the Hawaiian monk seal, the Commission reviewed and, by letter of 31 October 1985, provided comments to the National Marine Fisheries Service on a draft plan for managing bottomfish and seamount groundfish fisheries in areas which include parts of the Hawaiian monk seal range. At present, the Commission is awaiting the National Marine Fisheries Service's final determination on designation of monk seal critical habitat.

With regard to the southern sea otter, the entire Commission, its Committee of Scientific Advisors, and the senior staff devoted a full day of the annual meeting, held on 24-26 October 1985 in San Diego, to a review and evaluation of steps being taken by the Fish and Wildlife Service, the California Department of Fish and Game, and other agencies to prevent or reduce the incidental take of sea otters in gill and trammel net fisheries. They also reviewed ongoing efforts to facilitate the development and implementation of a plan for establishing one or more sea otter colonies outside the present sea otter range in California while prohibiting the expansion of sea otters into areas where they could have a significant adverse effect on commercial or recreational fisheries. In addition, the Commission, after consultation with affected fishermen, the California Department of Fish and Game, involved Federal agencies, and members of the environmental community, began planning a workshop for 26-28 March, 1986, to explore what might be done to assess, avoid, and reduce adverse impacts on marine mammals and on fisheries.

As for the Convention on the Conservation of Antarctic Marine Living Resources, the Commission helped prepare background and position papers for the fourth meetings of the Commission and Scientific Committee for the Conservation of Antarctic Marine Living Resources which were held in Australia in September. The Commission's Scientific Program Director participated as deputy representative to the Antarctic Commission. On a related matter, the Marine Mammal Commission, in consultation with its Committee of Scientific Advisors, recommended on 10 December 1985 that the Antarctic Policy Group endorse the plan for directed research which the National Marine Fisheries Service developed to satisfy the Antarctic Marine Living Resources Convention Act of 1984. The Commission is now working with the Department of State and the National Marine Fisheries Service to prepare for the 1986 meetings of the Living Resources Commission and Scientific Committee, and for several working group meetings to prepare for the September 1986 meetings.

The National Marine Fisheries Service has developed and implemented recovery plans for the Hawaiian monk seal and some other endangered and threatened species under its jurisdiction. However, it has yet to do recovery plans for right whales, bowhead whales, humpback whales, or other endangered cetaceans that occur in U.S. waters. To encourage development of a prototype recovery plan for endangered whales, the Commission supported two workshops in 1985--one on the status of and threats to the remnant right whale population in the northwest Atlantic, the other on actions that should be taken to (a) monitor the population and habitats essential to its survival, and (b) eliminate or mitigate threats to the population and its essential habitats. On 31 December 1985, the Commission, in sending the report of the workshops to the National Marine Fisheries Service, recommended that the Service adopt the described research and management plan as a preliminary right whale recovery plan and that it develop recovery plans for humpback whales, bowhead whales, and other endangered whales in U.S. waters.

With some exceptions, commercial exploitation and incidental take in fisheries have been the primary threat to marine mammals. Steps are being taken to more effectively regulate commercial exploitation and incidental take, and it seems likely that habitat degradation now will be the major threat to many marine mammal populations. In its efforts to assess what should be done to identify and protect critical habitats, the Commission contracted for a comprehensive bibliographic review of literature on marine and coastal area protection. The draft report, submitted in early January 1986, is being reviewed to identify factors to be considered in developing an overall strategy to address the problem. The Commission also met, in early FY 86, with officials of the State of Florida and the Department of the Interior to further land acquisition programs for areas of habitat critical to the Florida manatee.

In FY 85, 28% of the Commission's research budget was devoted to preparing research and management recommendations on selected species of marine mammals indigenous to Alaska. The reports are now undergoing intensive reviews. They are expected to provide useful guidance to State and Federal authorities.

As in the past, the Commission continues to review and make recommendations on programs of the National Marine Fisheries Service, the Fish and Wildlife Service, the Minerals Management Service, and other Federal agencies. The Commission has, among other things, done the following in FY 86: (1) provided major policy guidance on the International Whaling Commission; (2) organized a workshop on marine mammal/fisheries interactions in California; (3) recommended that the National Marine Fisheries Service and the Commission formally agree to cooperatively constitute and convene a group of scientific and resource management experts to write and help implement a long-term conservation plan for the North Pacific fur seal; (4) recommended that the National Marine Mammal Laboratory convene a meeting to review bowhead whale research carried out in 1985 and to coordinate bowhead whale research planned to be carried out in 1986; (5) initiated consultations with the Service on research and monitoring programs to assess the effects of incidental taking on harbor porpoise off California; (6) continued discussions with the National Marine Fisheries Service on the adequacy of ongoing programs to assess the effects of human activities on bottlenose dolphin populations in waters of the southeastern states; and (7) continued its efforts to encourage the National Marine Fisheries Service to meet its Congressional mandate to undertake a monitoring program of porpoise stocks in the eastern tropical Pacific.

These and other efforts are described more fully in the Commission's Annual Report.

Objectives for FY 1987

The Commission is meeting its statutory responsibilities and will continue to do so in Fiscal Year 1987 by:

- recommending to the Secretaries of Commerce, Interior, and State needed actions to protect and conserve marine mammals and their habitat;
- helping coordinate academic, state, Federal, and international research and study efforts to increase yields and prevent wasteful, duplicative research;
- managing and publishing the results of a research and studies program in which specific problems bearing upon marine mammal protection and conservation are addressed;
- recommending to the Secretaries of Commerce and Interior actions on the issuance of permits to take marine mammals for public display and scientific research;

- making recommendations to the Secretaries of Commerce and Interior on requests for waivers of the moratorium on taking and return of management authorities to states; and

- making recommendations on United States' positions relative to international negotiations affecting marine mammals and participating in those negotiations.

While meeting its statutory responsibilities in FY 1987, the Commission will focus on: assessing and preventing or reducing the adverse effects of marine mammal/fisheries interactions on both marine mammal populations and the involved fisheries; effectively implementing recovery plans for the Hawaiian monk seal, the southern sea otter, and the West Indian manatee; facilitating the development of recovery plans for right whales, humpback whales, and other endangered whales in U.S. waters; developing and implementing a strategy to identify and protect important marine mammal habitats worldwide; facilitating successful propagation of bottlenose dolphins and other marine mammals in captivity; facilitating the development of more economical methods of assessing and monitoring the status of marine mammal populations and their habitat; and improving planning and coordination of marine mammal research and management activities being conducted or supported by Federal agencies, state agencies, and other organizations.

Available money will be used for program reviews, planning meetings, and other activities necessary to identify possible problems and solutions thereto. As in the past, the Commission will work closely with involved states, Federal agencies, international organizations, industries, and public interest groups.

Conclusions

The Commission, among other things, has been instrumental in: developing domestic policies to protect and conserve marine mammals; facilitating the development of and providing guidance with respect to the negotiation of international agreements affecting marine mammals and the ecosystems of which they are a part; developing biologically-sound and legally constructive approaches to requests for waivers of the moratorium on taking and the return of marine mammal management authority to states, particularly Alaska; working with state agencies to facilitate protection and conservation of marine mammals and their habitat; assuring that research needs are defined clearly and that research programs are planned and coordinated so as to obtain needed information as quickly and as economically as possible; objectively exercising its overview responsibilities to assist agencies in addressing critical conservation issues; insuring that agencies seek to enforce the provisions of the Act; and providing an overview of activities conducted pursuant to the Act.

FY 1987 Estimate

The Marine Mammal Commission's FY 1987 budget request of $848,000 emphasizes the Commission's oversight and policy making role. Consistent with fiscal realities, the Administration's request reflects a reduction in the level of issue and species directed research that Congress added to the 1986 President's budget request. The budget provides $18,000 for priority research projects in support of the Commission's oversight role.

Mr. EARLY. Gentlemen, would you like to make a statement for the record?

Dr. EVANS. Yes, sir. Good afternoon, Mr. Chairman. My name is William Evans, and I am Chairman of the Marine Mammal Commission. With me today, as you mentioned, is John R. Twiss, Jr., who is the Executive Director; Dr. Robert Hofman, who is our Scientific Program Director; and Donald C. Baur who is General Counsel of the Marine Mammal Commission.

FISCAL YEAR 1986

When we appeared before you last year, we said that we would focus our fiscal year 1986 efforts on reducing the incidental take of marine mammals and other marine life in lost and discarded fishing gear and other debris; continuing to implement the Hawaiian Monk Seal Recovery Plan, the Southern Sea Otter Recovery Plan, and the Convention on the Conservation of Antarctic Marine Living Resources; developing and implementing recovery plans for right whales and other endangered cetaceans; evaluating essential marine mammal habitat; and, in addition to that, improving planning and coordination of the marine mammal research being conducted or supported by the Minerals Management Service, the National Marine Fisheries Service, the Fish and Wildlife Service, as well as other organizations.

To meet these fiscal year 1986 objectives we have already taken a number of steps. We have advised the National Marine Fisheries Service on the necessary actions to better document and resolve incidental take problems. We have also participated in developing U.S. positions for the 22nd Session of the International Maritime Organization's Marine Environment Protection Committee this past December, during which a number of matters related to the at-sea discard of plastics and other debris were considered. We are now reviewing the National Marine Fisheries Service's most recently proposed entanglement program plan.

Our efforts to implement the Hawaiian Monk Seal Recovery Plan, the Recovery Plan for the Southern sea otter, and the Convention on the Conservation of Antarctic Marine Living Resources are described in detail in our recent Annual Report.

Earlier this fiscal year, we commented at length to the National Marine Fisheries Service on a draft plan for managing bottomfish and seamount groundfish fisheries in areas which include parts of the Hawaiian monk seal's range.

As you may recall, we made the original recommendations on critical habitat for the monk seal and we now await the National Marine Fisheries Service's final determination on designation of monk seal critical habitat.

With regard to the Southern sea otter, we devoted a full day of our recent annual meeting to a cooperative review with State and Federal agencies, of ways to prevent or reduce the incidental take of sea otters in gill and trammel net fisheries. At that time, we also reviewed efforts to develop and implement a plan for establishing one or more sea otter colonies outside the present Southern sea otter range while preventing the expansion of sea otters into areas where they could have a significant adverse effect on commercial and recreational fisheries.

However, perhaps our most important accomplishment was to organize a workshop to be held March 26th through 28th to explore those things that might be done to assess, avoid, and reduce the adverse impacts on marine mammals and on fisheries.

This was done in consultation with affected fishermen, the California Department of Fish and Game, involved Federal agencies, and members of the environmental community.

Antarctica continues to be an issue of great importance, and this is increasing, I think, every day. The Convention on the Conservation of Antarctic Marine Living Resources is now in force, and we played a key role in preparing background and position papers for the fourth meetings of that Commission and its Scientific Committee which were held last fall.

Dr. Hofman also participated as deputy U. S. representative to the Antarctic Commission. In consultation with our Committee of Scientific Advisors, we recommended, in December, that the Antarctic Policy Group endorse the plan for directed research which the National Oceanic and Atmospheric Administration developed to satisfy the Antarctic Marine Living Resources Act of 1984.

We are now working with the Department of State and the National Marine Fisheries Service to prepare for a number of meetings in 1986, including those of the Living Resources Commission and its Scientific Committee.

The National Marine Fisheries Service has developed and implemented recovery plans for the Hawaiian monk seal and some other endangered and threatened species under its jurisdiction. However, it has not done so for right whales, bowhead whales, humpback whales, or other endangered cetaceans occurring in U.S. waters.

To encourage development of a prototype recovery plan for endangered whales, we recently supported two workshops, one on the status of and threats to the remnant right whale population in the northwest Atlantic, and the other on actions needed to monitor the population trends and essential habitats, and actions needed to eliminate or mitigate threats to affected populations and habitats.

In December, we sent our report of the workshops to the National Marine Fisheries Service and recommended that they adopt the described research and management plan as a preliminary right whale recovery plan. At the same time we again recommended that they develop recovery plans for the other endangered whales in U.S. waters.

Commercial exploitation and takings incidental to fisheries have been among the primary threats to marine mammals. Steps are being taken to more effectively regulate these threats.

It seems likely that habitat degradation should be viewed as a major long-term threat to many marine mammal populations.

In our efforts to assess what should be done to identify and protect critical habitats, we contracted for a comprehensive bibliographic review of the literature on marine and coastal area protection.

We are now reviewing the draft report to identify those factors to be considered in developing an overall strategy to address the problem.

Earlier this fiscal year, we met with officials of the State of Florida and the Department of the Interior to further land acquisition programs for areas of habitat critical to the Florida manatee.

In fiscal year 1985, 28 percent of our research budget was devoted to preparing research and management recommendations on selected species of marine mammals in Alaska. The resulting draft reports, now under review, are expected to provide useful guidance to both State and Federal authorities.

We continue to review and make recommendations on programs of the National Marine Fisheries Service, the Fish and Wildlife Service, the Minerals Management Service, and other Federal agencies.

Among other things already done this fiscal year, we have: (1) provided major policy guidance on the International Whaling Commission; (2) organized a workshop on marine mammal/fisheries interactions in California; (3) recommended that the National Marine Fisheries Service and the Commission cooperatively constitute and convene a group of scientific and resource management experts to write and help implement a long-term conservation plan for the North Pacific fur seal; (4) recommended that the National Marine Mammal Laboratory convene a meeting to review bowhead whale research carried out in 1985 and to coordinate bowhead whale research planned to be carried out in 1986; (5) consulted with the National Marine Fisheries Service on research and monitoring programs to assess incidental taking impacts on harbor porpoise off California; (6) continued our discussions with the Service on assessing the effects of human activities on bottlenose dolphins in the southeastern states; and (7) continued our efforts to encourage the National Marine Fisheries Service to meet its Congressional mandate to undertake a monitoring program of porpoise stocks in the eastern tropical Pacific.

These and other efforts are described more fully in our Annual Report.

FISCAL YEAR 1987

Our objectives for fiscal year 1987. We shall continue to meet our statutory responsibilities by recommending to the Secretaries of Commerce, Interior, and State, needed actions to protect and conserve marine mammals and their habitat; helping coordinate academic, State, Federal, and international research, and study efforts to incresae yields and prevent wasteful and duplicative research; managing and publishing the results of a research and studies program in which specific problems bearing upon marine mammal protection and conservation are addressed; recommending to the Secretaries of Commerce and Interior actions on the issuance of permits to take marine mammals for public display and scientific research; making recommendations to the Secretaries of Commerce and Interior on requests for waivers of the moratorium on taking and return of management authorities to States; and making recommendations on United States' positions relative to international negotiations affecting marine mammals and participating in those negotiations.

While meeting these responsibilities, we shall focus on assessing and preventing or reducing the adverse effects of marine mammal/fisheries interactions on both marine mammal populations and the involved fisheries; effectively implementing recovery plans for the Hawaiian monk seal, the Southern sea otter, and the West Indian manatee; and facilitating the development of recovery plans for right whales, humpback whales, and other endangered whales in U.S. waters; developing and implementing a strategy to identify and protect important marine mammal habitats worldwide; facilitating successful propagation of bottlenose dolphins and other marine mammals in captivity; facilitating the development of more economical methods of assessing and monitoring the status of marine mammal populations and their habitats; and improving planning and coordination of marine mammal research and management activities being conducted or supported by Federal agencies, State agencies, and other organizations.

Available money will be used for program review, planning, meetings, and other activities necessary to identify possible problems and solutions. As in the past we shall work closely with the involved State, Federal, and international organizations, industries, and public interest groups.

Over the years, we have, among other things, been instrumental in developing domestic policies to protect and conserve marine mammals; providing guidance with respect to the development and implementation of international agreements affecting marine mammals and the ecosystem; developing biologically-sound and legally constructive approaches to requests for waivers of the moratorium on taking and the return of marine mammal management authority to the States, particularly Alaska; working with State agencies to facilitate protection and conservation of marine mammals and their habitat; assuring that research needs are defined clearly and that research programs are planned and coordinated so as to obtain needed information as quickly and as economically as possible; objectively exercising our overview responsibilities to assist agencies in addressing critical conservation issues; insuring that the agencies seek to enforce the provisions of the Act; and providing an overview of activities conducted pursuant to the Act.

BUDGET REQUEST

In fiscal year 1987, the Marine Mammal Commission's fiscal year 1987 budget request of $848,000 emphasizes our oversight and policy making role. While this request reflects a reduction in our current funding levels, it does allow for full operation of the Commission, and provides $18,000 for priority research projects in support of our oversight role.

I would be willing at this time to answer any questions that you may have. Thank you very much, sir.

Mr. **Dwyer**. Thank you, Dr. Evans. What effect has the $39,000 reduction had on your planned level of activities for this fiscal year?

Dr. **Evans**. Primarily, it has had an effect, as we projected last year, on our research program. I am sure that Mr. Twiss can address it in more details in terms of what it has done as far as specific programs.

Mr. Twiss. Thank you, Mr. Chairman. As Dr. Evans has said, it has affected our research program. We are trying to offset this by first of all not hiring to fill one position, which will substantially increase the amount that can go back into the research budget, and also, where the opportunity presents itself, decreasing the grade level of the people on the staff when a change is made. We have had one such change and have reduced that grade by three points in advertising for the new position.

In short, we are simply trying to take whatever steps we can to put money back into the research budget however possible.

Mr. Dwyer. What is the status of the authorization for fiscal year 1987?

Mr. Twiss. It is $1.1 million.

Mr. Dwyer. You are requesting a modest decrease in 1987 from your 1986 level, yet on page 8 of your justifications is a pretty ambitious list of statutory responsibilities.

Are you going to be able to carry out those statutory responsibilities?

Dr. Evans. John, please continue.

Mr. Twiss. I think we are very blessed by having Commissioners who are knowledgeable; members of the Committee of Scientific Advisors who are knowledgeable; and my colleagues on the staff are very dedicated.

By everybody working very hard, we are able to barely meet our statutory obligations. Our Annual Report, which came out January 31st and was made available to Congress then, bears out the fact that we are meeting our statutory obligations.

I would not describe it as meeting them comfortably, nor would I describe it as meeting them as fully as we would like.

Mr. Dwyer. Mr. Smith.

Mr. Smith. I will wait.

Mr. Dwyer. Mr. Early.

Mr. Early. What priority research projects does the $18,000 provide for?

Dr. Evans. Dr. Hofman.

Dr. Hofman. The $18,000, Mr. Early, will provide funds basically for administration of basic statutory kinds of activities that are mandated by the Act.

As an example, the Commission each year does a survey of Federally funded research. The reports, then, of the Commission's contract work are published through the National Technical Information Service. There is a cost associated with that.

The Commission maintains a library of marine mammal literature which is available to the public, to other agencies, to the staff, the Committee members, and the Commission. Finally, from time to time, while we have a great deal of expertise, as Mr. Twiss indicated, in looking at proposals for things dealing with offshore oil and gas development for fishery management plans, particularly in areas where we may not have expertise, we will use contractors to help evaluate those kinds of things.

That is the type of thing that that $18,000 would go to.

Mr. Early. But not specific research projects?

Dr. **Hofman**. No.

Mr. **Early**. Thank you.

Mr. **Dwyer**. I wonder if you would describe the success of your coordinating activities with the Department of Commerce and the Department of Interior for the current fiscal year and last year.

Dr. **Evans**. Well, I think we have been extremely successful in some areas. As we stressed during our annual meeting which we had this year, we have had, I think, excellent cooperation from the National Marine Fisheries Service in setting up a number of our programs.

We have had some problems in getting a commitment for the monitoring program for the tuna-porpoise issue, which we stressed last year as being very important. It is my understanding that in 1987, there is an allocation of $800,000 to the National Marine Fisheries Service, specifically for this particular program.

The cooperation that we have received to date, in terms of determining the programs that we are going to be doing in Alaska—I think has improved over the past years—and I am very impressed with the success and the kind of cooperation that we have received at the National Marine Fisheries Service and the various regional laboratories, especially in Hawaii with the work that we have been able to do with the monk seal, and also with the Department of Interior/Fish and Wildlife Service in the work that we have been able to do with the manatee.

Maybe Dr. Hofman would like to expand a little bit on some aspects of that.

Dr. **Hofman**. I think there are a number of things, Mr. Dwyer. I will just give you a couple of examples. With respect to sea otters, the Commission has served on an interagency project review team that has worked to help advise and counsel the U.S. Fish and Wildlife Service on development and implementation of the Southern sea otter recovery plan, and most importantly, the development, and hopeful eventual implementation of a plan for translocating sea otters, so as to protect the Southern sea otter population, while, at the same time, establishing a management mechanism or a strategy for minimizing impacts on commercial and recreational shellfish fisheries.

Another example that Dr. Evans mentioned in his testimony, the Commission at the present is organizing a workshop on marine mammal/fishery interactions in California.

In doing that we have been working with and coordinating the efforts of the California Department of Fish and Game, the National Marine Fisheries Service, the U.S. Fish and Wildlife Service, and various aspects of the national and California Sea Grant Programs.

Dr. Evans also made reference to the annual coordinating meetings to review and plan bowhead whale research carried out each year by groups including the Minerals Management Service and the National Marine Fisheries Service, the State of Alaska, the North Slope Borough, and the Alaska Eskimo Whaling Commission.

And then the final example that comes immediately to mind, again refers to something that Dr. Evans mentioned. That is the Commission's efforts to develop and implement a program to deal, both domestically and internationally, with the problem of lost and discarded fishing gear and entanglement, not only of marine mammals, but of birds, and fin fish.

Mr. **Dwyer**. Last year, we briefly discussed what was going on with the International Whaling Commission. What issues are "perking" there right now?

Dr. **Evans**. Well, what is happening at the present time, as we have entered into 1985–1986, which is the beginning of the moratorium, and as we mentioned last year, that the Soviet Union, Japan, and Norway, had protested, and, under the 1946 Convention, if they protest, they do not have to abide by the moratorium.

However, that brings about our having to possibly use the Packwood-Magnuson, or the Pelly Amendments, if they basically break this treaty. At the IWC meeting this last year, we considered that several major items are still things to be concerned with. Well, the first of these is the moratorium on commercial whaling. The United States is committed to making sure that that does work, and that it goes forth. As you are probably aware, there is a case pending now against the Department of Commerce, and also, the State Department, for an agreement with the Japanese government, to not certify them if they will withdraw from whaling in 1987.

That now has gone to the Supreme Court, and we are waiting for that to be heard.

There is a lot of concern within the IWC about the future of the IWC. With a moratorium, what does a Convention or a Treaty on the management of whaling do when there is no whaling, which is a question that is being asked, currently.

The future activities of the IWC which fits into that: is there a role for an International Whaling Commission when you no longer have whaling?

Special permits for scientific research, and let me expand a little bit on that. Under the provisions of the 1946 Convention, any country who is a member of that treaty may issue themselves a permit to take whales for scientific purposes.

They need not have the permission of the IWC in order to do this. They, on the other hand, are supposed to submit the permit ahead of time to the IWC Scientific Committee, and to determine whether or not it is providing good science.

There has been a lot of discussion of that this year because what has happened is that at least two countries, and possibly two other countries, will have basically given themselves permits to whale, and there is some concern that this is an attempt to continue to whale under the moratorium, rather than really do scientific research.

So the National Marine Fisheries Service and actually, NOAA, Dr. Calio, has asked the Marine Mammal Commission to review the Icelandic permit. We have not been asked to review the Korean permit, which is one that is coming forth.

Japan is supposedly going to come forth with a permit for scientific whaling also. So there is a great deal of discussion as to how the United States should work with something like this.

Mr. **Dwyer**. Do these permits indicate how many whales they may want to take for this purpose?

Dr. **Evans**. Yes, sir. They have to specify the number of whales, and the Scientific Committee will then make a decision as to whether or not this constitutes a legitimate take. In other words, are they taking too many whales, or making——

In the case of Iceland, they have asked for approximately half of what their quota was for the last year, and also, Korea has done something similar to this. In addition to that, the aboriginal subsistence whaling issue is still a major one, and especially bowheads, since that has an effect on Alaskan Eskimos and their fishery.

Under the comprehensive assessment of whale stocks, there is supposed to be a comprehensive assessment of whale stocks by 1990, and then a reevaluation as to whether or not the moratorium should continue and whether or not it is possible to set quotas for certain stocks in certain areas.

Another issue is revision of the present management procedures, which are very cumbersome, and most people feel, from a conservation standpoint, not really very effective.

Two other issues that are fairly important are humane killing of whales and small cetaceans.

These are the issues. As you know, the President has appointed a new commissioner to the IWC, Dr. Calio, who is the Administrator of NOAA. And the Marine Mammal Commission, mainly because we have been associated with the IWC for a number of years, and have quite a bit of expertise in that area, has prepared a document for Dr. Calio which basically outlines what we feel some of the major issues are and what some of the U.S. policies have been in the past and what they should be in the future.

I would like to offer that as a document which can be put into the record, if that is acceptable.

Mr. **Dwyer**. By all means.

[The information follows:]

MARINE MAMMAL COMMISSION
1625 EYE STREET, N.W.
WASHINGTON, DC 20006

15 January 1986

The Honorable Anthony J. Calio
Administrator
National Oceanic and Atmospheric Administration
Department of Commerce
Washington, D.C. 20235

Dear Dr. Calio:

In recognition of the fact that many of the International Whaling Commission issues are complex, the Marine Mammal Commission felt it would be helpful to provide an overview of some of the major issues and to offer certain recommendations on ways in which to meet our collective objectives effectively. With this in mind, the Commission, in consultation with its Committee of Scientific Advisors on Marine Mammals, provides background information, comments, and recommendations on the following issues:

- the moratorium on commercial whaling;
- certification of whaling nations under the Pelly and Packwood-Magnuson Amendments;
- the future of the IWC;
- future activities of the IWC;
- special permits for scientific research;
- aboriginal/subsistence whaling and the bowhead whale issue;
- the comprehensive assessment of whale stocks;
- revision of the present management procedures;
- humane killing of whales; and
- small cetaceans.

The Moratorium on Commercial Whaling

Though the IWC failed to take effective measures to conserve whales in the first fifteen years of its existence, it began to do so in 1964. However, these early measures, invariably too little and too late, simply confirmed the IWC's unsatisfactory record in resource management, and many of those concerned put the matter before the United Nations Conference on the Human Environment in Stockholm, Sweden in 1972. There, a resolution was adopted by a vote of 53 in favor, none opposed, and three abstentions to recommend that the IWC establish a ten year moratorium on all commercial whaling. Since 1972, establishing such a moratorium has been official U.S. policy. The reasons are that available data on whale populations are inadequate for making accurate determinations concerning their status and trends, that current management practices pose unacceptable risks to whale populations, and that actions by some member whaling countries have been undermining conservation efforts.

At the 1982 IWC meeting, a compromise was reached to achieve such a moratorium via a new paragraph in the Schedule of regulations. That paragraph, Schedule paragraph 10 e, provided that catch limits for commercial whaling would be set at zero beginning with the 1986 coastal and 1985/86 pelagic whaling seasons. It further provided that, by 1990 at the latest, the IWC would undertake a comprehensive assessment of the effects of this decision on whale stocks, consider modifications to this provision, and consider establishing other catch limits. Although most member nations agreed to abide by the moratorium provision, Japan, Norway, and the Soviet Union exercised their right under the International Convention for the Regulation of Whaling to object to this provision and thereby free their respective governments from the obligation to comply with its requirements.

Since 1982, the U.S. has sought to prevent any erosion of this moratorium provision and to encourage objecting nations to withdraw their objections. The Marine Mammal Commission believes that this position should be continued, at least until there is an opportunity to review the results of the comprehensive assessment and to consider revised management arrangements under which commercial whaling might occur. For commercial whaling to resume under authority of the IWC, there would need to be a three-quarters majority vote to revise Schedule paragraph 10 e. Before the U.S. could support such an action, the Marine Mammal Commission believes that the U.S. should be fully satisfied that: current uncertainties in assessment and other management deficiencies have been satisfactorily resolved; the whale stocks in question are sufficiently robust to sustain some level of exploitation; and available data and management procedures are adequate to insure that whaling would not reduce a whale stock below acceptable levels.

Certification of Whaling Nations Under the Pelly and Packwood-Magnuson Amendments

The International Convention for the Regulation of Whaling provides that party governments may, within 90 days of the adoption and enactment of any management provision by the IWC, file a formal objection to that provision and thereby exempt itself from any legal obligation under international law to comply with that measure. On several occasions, whaling nations have invoked this right, usually with the explanation that the measure constitutes an unwarranted and unnecessary restriction of their whaling interests. In part to strengthen U.S. efforts to encourage whaling nations to support IWC management measures, Congress passed the Pelly Amendment to the Fishermen's Protective Act in 1971 and the Packwood-Magnuson Amendment to the Fishery Conservation and Management Act in 1979. The Pelly Amendment requires that the Secretary of Commerce notify the President if any foreign nation is conducting fishing operations, including whaling, "...in a manner or under circumstances which diminish the effectiveness of an international fishery conservation program." The President may then direct the Secretary to reduce or prohibit the importation of fishery products into the U.S. from the offending country. The Packwood-Magnuson Amendment requires that the Secretary reduce by half the allocation of fish that may be taken from U.S. waters by any nation certified under the Pelly Amendment.

With respect to IWC regulations, U.S. policy has been to certify a nation only in the event of an actual violation of adopted IWC provisions. Thus, while the U.S. has not certified a nation for objecting to an IWC provision (e.g., an approved quota), it has certified one nation for failing to comply with adopted measures (i.e., taking whales in excess of an adopted quota). Recent actions with respect to Brazil, Japan, and the Soviet Union are illustrative. These countries objected to the quota adopted at the 1984 IWC meeting for the 1984-85 Southern Ocean minke whale season. The U.S. advised all three nations that they would be subject to certification and sanctions under the Pelly and Packwood-Magnuson Amendments if they were to whale under their respective objections and exceed their respective shares of the adopted IWC minke whale quota. Although Brazil and Japan did not exceed their share of the 1984-85 quota, the Soviet Union did. Once confirming information became available that the Soviet Union had done so and that the total 1984-85 IWC quota had thus been exceeded, the U.S. took steps to certify the U.S.S.R. under the Pelly Amendment and to reduce its U.S. fishery allocation under the Packwood-Magnuson Amendment by half. Since the time that the Soviet Union was advised that sanctions were being applied, it has requested no fish under the U.S. fish allocation process. Technically, under the Packwood-Magnuson Amendment, the small Soviet fishery allocation would be completely cut after the first year unless the Soviet Union took steps to correct their offending whaling practices.

Over the next year, application of the Pelly and Packwood-Magnuson Amendments may become appropriate in at least three instances. The first concerns Japanese whaling contrary to whaling quotas adopted by the IWC but consistent with the provisions of a bilateral understanding reached with the U.S. in December 1984. Specifically, on 11 December 1984, the Secretary of Commerce exchanged letters with Japan's Ambassador to the U.S. confirming an agreement whereby Japan would, by certain dates, withdraw its formal objections to the sperm whale quota and to the moratorium provision adopted by the IWC and whereby the Secretary of Commerce would then exercise discretionary authority under the Pelly Amendment by refraining from certifying Japan for certain specified whaling activity that might occur through April 1988.

In late 1984, the American Cetacean Society and others, contending that the Secretary did not have discretionary authority with respect to certifying Japan for whaling contrary to adopted IWC quotas, successfully sued the Secretary of Commerce in the U.S. District Court for the District of Columbia. An appeal by the Department of Justice before the U.S. Court of Appeals for the District of Columbia Circuit failed to overturn the District Court's 5 March 1985 decision. If the Supreme Court, which recently agreed to hear the Federal Government's appeal of the Circuit Court's decision, fails to overturn the lower Court's ruling, the Secretary will be required to certify Japan for violating adopted IWC quotas. This will trigger the mandatory sanctions of the Packwood-Magnuson Amendment requiring at least a 50 percent reduction in Japan's U.S. fishery allocation.

The second instance which may require certification concerns commercial whaling (other than that discussed immediately above) contrary to the adopted IWC moratorium provision. For example, were Norway to act under its objection to the moratorium provision and engage in commercial whaling during periods covered by the moratorium, the Secretary of Commerce should certify Norway as acting to diminish the effectiveness of the Whaling Convention and optional sanctions available under the two Amendments should be considered. Another instance in which certification and sanctions may be indicated stems from the Philippines' recent announcement that it would abrogate its prior acceptance of the moratorium provision by initiating whaling on Bryde's whales even though it did not file an objection to Schedule paragraph 10 e.

The third instance under which certification may be appropriate and necessary concerns the taking of whales under special permits which, under the Whaling Convention, member nations may grant their citizens for purposes of scientific research. This matter is discussed later in this letter in greater detail.

With respect to applying the Pelly and Packwood-Magnuson Amendments in these and other instances, a number of points should be recognized. First, sanctions under the Packwood-Magnuson Amendment are meaningful only for those nations, such as Japan, which receive substantial foreign fishery allocations under the Magnuson Fishery Conservation and Management Act. For Norway and the Soviet Union, which request or receive only a small or no U.S. fishery allocation, such sanctions do not constitute a compelling threat. Second, as the U.S. fishing industry expands, it will gradually receive an increasing proportion of available U.S. fish stocks that are now distributed under foreign fishery allocation agreements. Thus, the Packwood-Magnuson Amendment will probably become less and less significant as the U.S. fishing industry displaces foreign fleets in U.S. waters and the size of foreign fishery allocations diminishes. Third, sanctions available under the Packwood-Magnuson Amendment may be applied against a whaling country for reasons other than its whaling activity, in which case, its influence with respect to whaling by that country's nationals would become moot. The potential elimination of U.S. fishery allocations to Japan due to its high seas drift gill net fishery could be a case in point.

Since enactment of the Pelly and Packwood-Magnuson Amendments, it has been U.S. policy to advise parties to the Whaling Convention of the availability and potential application of these sanctions in support of measures adopted by the IWC. The Marine Mammal Commission believes that a continuation of this policy is appropriate and that available sanctions should be applied as the U.S. deems necessary and appropriate. For example, it would be appropriate for the U.S. to advise Norway, the Soviet Union, and the Philippines that the U.S. will consider sanctions under both statutory provisions if commercial whaling is engaged in during the IWC's moratorium. Similarly, as discussed below, the U.S. should indicate to contracting governments its intent to consider the potential applicability of these two provisions to any special permits for scientific research that fail to reflect the advice on research proposals rendered by the IWC and its Scientific Committee and which unnecessarily diminish the effectiveness of the moratorium provision.

The Future of the IWC

While many new countries have joined the IWC in the past decade, the future of the IWC and its membership are uncertain for a variety of reasons. With the moratorium provision now in place, some of the newer members may no longer feel the need to remain in the IWC. In addition, some whaling nations have suggested the need to create a new organization limited to countries actively engaged in whaling and, thus, more sympathetic to their interests. Another point is that the irresponsibility of some member nations in paying their dues has caused the IWC to be in a state of financial crisis for several years, and there is no resolution of the problem in sight.

The Marine Mammal Commission believes it essential to continue an effective and viable international whale conservation program. While the International Convention for the Regulation of Whaling and the International Whaling Commission established by the Convention have not been fully satisfactory, no feasible alternative is visible. Thus, the Marine Mammal Commission believes that the U.S., in cooperation with other like-minded countries, must take all reasonable steps to insure the long-term future of the Convention and to improve the effectiveness of the Commission. Members must address the IWC's serious financial problems and the extreme polarization between those anxious to see a resumption of commercial whaling and those committed to an indefinite continuation of the current commercial whaling moratorium. The former problem threatens the ability of the Commission to function as required under the Convention and the latter could lead some whaling countries to abandon the Convention in order to resume whaling under either less restrictive or perhaps no management control.

To provide additional understanding of the context within which future decisions affecting the long-term viability of the IWC must be made, the following provides a brief and necessarily superficial overview of political positions and concerns held by various groups within the IWC membership. The present member countries of the IWC can be loosely classified as follows:

Developed whaling countries (Iceland, Japan, Norway, and the U.S.S.R.) -- Of these countries, only Iceland has not filed an objection to the moratorium. It plans to carry out some whaling under special permits for scientific research as discussed below. The U.S.S.R. has announced its intention to cease commercial whaling beginning with the 1987/88 pelagic whaling season;

Less developed whaling countries (Brazil, Chile, Republic of Korea, Peru, the Philippines) -- Historically, these countries depended on the Japanese market for selling whale products, and many of their whaling stations are Japanese controlled. These countries now have or formerly had relatively small whaling industries. However, none of these countries presently maintain objections to the moratorium;

Conservation countries with aboriginal/subsistence whaling (Denmark and the U.S.);

Conservation countries which presently take no whales (Antigua and Barbados, Argentina, Australia, Belize, Costa Rica, Egypt, Finland, France, Federal Republic of Germany, India, Kenya, Mexico, Monaco, Netherlands, New Zealand, Oman, St. Lucia, St. Vincent and the Grenadines, the Seychelles, Sweden, Switzerland, and the United Kingdom) -- These countries generally oppose both aboriginal/subsistence and commercial whaling and, along with the U.S. and Denmark, are sometimes referred to as the "like-minded" countries;

Former whaling countries that now generally support conservation measures (Spain and South Africa);

Other non-whaling countries that have recently joined or which abstain on most issues (Ireland, Solomon Islands, and the Peoples Republic of China) -- China supports conservation in waters adjacent to its coasts; otherwise, it usually abstains.

There is also a Spanish language block (Spain, Latin American countries, and the Philippines) which would like to have Spanish as an official language of the IWC. Most Spanish block members strongly oppose any consideration of small cetaceans, and some would also limit IWC jurisdiction within their respective Exclusive Economic Zones. Finally, it has been suggested that some of the less developed countries in the conservation block do not necessarily support conservation but rather oppose utilization of high seas resources by developed nations.

Future Activities of the IWC

With passage of the moratorium provision and the approach of its effective date, parties to the Convention recognized the need to reassess the roles and activities of the Commission and its associated Committees. Therefore, at the 1984 IWC meeting, the U.S. proposed, and the IWC agreed, that a working group be formed to consider the implications of the moratorium decision on the future operations of the Commission. The working group met twice before the 1985 IWC meeting. Its report, which outlines priority tasks to be addressed in coming years, was adopted by the Commission that year. Among the identified tasks were:

- the comprehensive assessment of whale stocks;
- the management of aboriginal/subsistence whaling;
- the revision of the management procedures instituted in 1975 to establish catch limits;
- the implementation of humane killing techniques;
- the Indian Ocean Sanctuary;
- the publication of Commission related reports and the compilation of whaling statistics;
- the review of special permits issued for purposes of scientific research; and
- the handling of infractions.

The working group report provides a useful review of priority tasks before the Commission. Therefore, additional work to define IWC responsibilities prior to the completion of the comprehensive assessment does not appear to be needed. As a related matter, however, the IWC adopted a resolution proposed last year by representatives of Brazil and the Philippines calling for the establishment of a working group to draft terms of reference for evaluating the socio-economic implications of zero catch limits on those countries which have adhered to and been affected by them. This issue is likely to be an important factor bearing on IWC determinations that will be made regarding future whaling activity. The working group is tentatively scheduled to meet on 2 June in Malmo, Sweden and the Marine Mammal Commission believes that the U.S. should participate in that meeting.

Special Permits for Scientific Research

Article VIII of the Whaling Convention provides that any party may grant special permits to its nationals to take whales for scientific research and that the whales taken may be processed and sold in accordance with that party government's directions. The IWC Schedule of regulations, however, also requires that the IWC and its Scientific Committee be provided with an opportunity to review and comment on proposed special permits and certain related information before a special permit is issued.

Several countries with whaling interests are considering granting such permits ostensibly to collect data for use in the comprehensive assessment. At the 1985 IWC meeting, Korea and Iceland put forward separate proposals for their nationals to take whales for purposes of scientific research. Although it is recognized that killing whales under these permits might provide additional data on the status of whale stocks, it is also recognized that poorly conceived scientific research proposals, which are not likely to produce data useful for the comprehensive assessment and which result in killing significant numbers of whales, could undermine the moratorium provision adopted by the IWC. In 1985, the Scientific Committee developed a series of guidelines on scientific research proposals and then considered the proposals put forward by Iceland and Korea. The IWC also agreed to establish a working group to study a proposal by Sweden to further define recommended parameters for issuing special permits for scientific research and for conducting trade in products derived from the whales taken. This working group is tentatively scheduled to meet on 2 June 1986 in Malmo, Sweden before the IWC meeting. The Marine Mammal Commission believes that the U.S. should participate in that meeting to help develop advice with respect to the issuance of scientific research permits. In this regard, the Marine Mammal Commission intends to give you detailed comments on the Icelandic whale research proposal soon.

In addition, the Marine Mammal Commission believes that the U.S. should actively participate in efforts by the Scientific Committee and the IWC to carefully review and provide advice on all research proposals requiring such permits. If a party government chooses to issue a special permit without proper notification to the IWC or if it clearly disregards the Scientific Committee's advice as provided through the IWC, the U.S. should be prepared to consider the application of sanctions under the Pelly and Packwood-Magnuson Amendments once whaling under that permit begins. For example, if, contrary to the advice of the Scientific Committee as adopted or modified by the IWC, a government issues a special permit which is not likely to result in developing substantial new information necessary for the comprehensive assessment and which would authorize a take of whales that would be contrary to the purposes of the commercial whaling moratorium, it would be appropriate for the U.S. to consider certifying that government as acting in a manner which diminishes the effectiveness of the Whaling Convention.

Aboriginal/Subsistence Whaling and the Alaska Bowhead Whale Issue

Under the original Whaling Convention, the take of bowhead whales by Eskimos for purposes of local consumption was explicitly exempted from management provisions developed to control other whaling operations. Although the IWC paid little attention to aboriginal whaling before the 1970's, the Scientific Committee became concerned at that time about the substantially increased effort to take bowhead whales by Alaskan Eskimos. In 1977, after several years of inaction on the part of the IWC on this matter, the Scientific Committee recommended that the IWC delete from its Schedule the exemption allowing the aboriginal taking of bowhead whales for subsistence purposes. While the IWC adopted this recommendation at its Annual Meeting in 1977, it subsequently modified this action at a special meeting in December 1977 at which it was agreed to allow a limited take to meet aboriginal/subsistence needs.

During those years between 1977 and 1984 in which the bowhead whale issue has been before it, the Scientific Committee has consistently advised the IWC that, from a biological point of view, the only safe course of action is for aboriginal/subsistence bowhead whaling catch limits to be set at zero. However, the IWC, which also considers non-biological factors relating to subsistence needs of aboriginal peoples, has consistently adopted low level catch limits for bowhead whales. Support of an IWC quota to meet Alaska Eskimo subsistence needs has placed the U.S. in the awkward position of supporting IWC actions to allow a subsistence take of a severely depleted and endangered whale population while simultaneously arguing for a moratorium on the commercial take of whales from all whale stocks.

Recognizing the special circumstances surrounding aboriginal whaling issues in general, the U.S. sought to establish a distinct management scheme within the IWC to govern aboriginal whaling. In 1982, the IWC adopted a new paragraph to its Schedule of regulations, Schedule paragraph 13 a, which set forth recommended management principles and guidelines for establishing catch limits for aboriginal/subsistence whaling. Specifically, the new paragraph allows catch limits to satisfy aboriginal/subsistence needs for whale stocks that are below MSY levels provided that the affected stocks are above a certain minimum level and also provided that the catch limit will allow recovery of the stock to its MSY level. With respect to these conditions, the Scientific Committee was directed to advise the IWC on minimum stock levels below which whales should not be taken and appropriate rates of increase towards the MSY level for each stock.

The new aboriginal/subsistence whaling scheme also sought to develop a quantitative basis for determining the nutritional, subsistence, and cultural needs of aboriginal peoples. To do this for the Alaska Eskimo bowhead whale hunt, the U.S. produced extensive reports on these aspects of the needs of Alaska Eskimos for bowhead whales. To date, the Aboriginal/Subsistence Subcommittee of the IWC's Technical Committee has made little effort to respond to U.S. presentations based on the reports and it has not made a serious attempt to factor the analyses in the reports into the development of the bowhead whale quota. During its 1985 meeting, however, the IWC agreed that the Subcommittee should examine the methods of calculation used by the U.S. in its reports.

The new aboriginal/subsistence whaling scheme formally recognizes the distinction between commercial and aboriginal/subsistence whaling. It also codifies the IWC's practice of attempting to strike a balance between the subsistence, cultural, and nutritional needs of aboriginal people and the need to protect affected whale stocks. The IWC's new aboriginal/subsistence scheme took effect in 1984. At its 1985 meeting, the IWC adopted a three-year block quota for bowhead whales of 26 strikes per year for the years 1985 to 1987. Strikes not used in any one year may be used in the following year provided that no more than 32 whales are struck in any one year.

Since the IWC quota for bowhead whales extends through 1987, bowhead whale catch limits are not likely to be a major IWC issue until 1987. If, however, new information becomes available that indicates that the size of the bowhead whale population is larger than previously thought, the Alaska Eskimo Whaling Commission may seek an increase in the bowhead whale strike limit before 1987. On the other hand, if such a request is not forthcoming, major U.S. actions will involve arranging with the Alaska Eskimo Whaling Commission to manage the hunt and ensuring that necessary research projects are identified and undertaken. Arrangements to manage the bowhead hunt are subject to a cooperative agreement between the Alaska Eskimo Whaling Commission and the National Oceanic and Atmospheric Administration under which annual quotas are negotiated. The major effort this coming year will be to ensure that the IWC bowhead whale quota and related requirements (e.g., reporting and continuing to pursue efforts to reduce struck but lost levels) are met.

With respect to research needs, the Marine Mammal Commission believes it critical that the National Marine Mammal Laboratory continue to coordinate Federal, State, and private bowhead whale research programs and that it place high priority on its own bowhead whale program. To this end, the National Marine Mammal Laboratory has convened a planning meeting of involved agencies and groups each year since 1981. We believe that there continues to be a critical need for such meetings to communicate recent research results and to plan and coordinate future activities, and we urge that such a meeting be held as soon as possible in 1986.

While the Alaska Eskimo Whaling Commission and the North Slope Borough are continuing to successfully conduct bowhead whale census studies from ice camps, the National Marine Mammal Laboratory has the more difficult task of estimating the net recruitment rate for the bowhead whale population. Since extensive aerial surveys permitting photo measurement and photo identification of individuals are the most promising approach for deriving this information, it is essential that this expensive, long-term effort be adequately funded. The U.S. commitment to a substantial bowhead whale research program has been and will continue to be of critical importance in supporting the Eskimo position at IWC meetings.

The Comprehensive Assessment of Whale Stocks

As noted above, the moratorium provision adopted by the IWC in 1982 (i.e., Schedule paragraph 10 e) set catch limits for commercial whaling at zero beginning with the 1986 coastal and the 1985/86 pelagic whaling seasons. It also provides that, by 1990 at the latest, the IWC will conduct a comprehensive assessment of the effects of the cessation of commercial whaling on whale stocks and consider modification of the provision and the establishment of other catch limits. The precise nature, scope, and details of the comprehensive assessment were not identified when paragraph 10 e was adopted by the IWC and, although several IWC working group meetings have been held to discuss the assessment, there has been no substantive progress to date towards developing agreement on the specific tasks, procedures, or timetables to be followed.

Work on these points continues, however. In order to develop a proposed approach for IWC consideration that sets forth the specific tasks, procedures, and timetables to be followed for completing the comprehensive assessment by 1990, the IWC adopted a proposal put forward by its Technical Committee. It proposed that a scientific meeting be held in the spring of 1986 and that it be followed by a joint working group meeting composed of members of the IWC Technical and Scientific Committees. The scientific meeting is scheduled for 7-11 April 1986 in England and the joint working group of the Technical and Scientific Committees is to be held in Sweden on 6 June.

As noted above, the U.S. has supported the provisions of paragraph 10 e. To meet the objective of conducting a comprehensive assessment to ensure the best possible basis for making decisions on future catch limits, the U.S. should seek the most careful analyses possible of available data on the status of whale stocks. In this regard, the U.S. should participate in scheduled meetings to plan for and carry out the comprehensive assessment. To facilitate this participation and ensure continuity of U.S. representation through the comprehensive assessment, the Marine Mammal Commission recommends that a core of three or four knowledgeable scientists be promptly designated to develop positions on the various scientific issues and to represent the U.S. at the meetings. We also believe that the designated individuals should arrange to meet with other appropriate U.S. scientists before this April's meeting in England so as to help develop U.S. positions on both scientific issues and relevant questions of procedure including the timetable for doing the comprehensive assessment. Such consultations with knowledgeable scientists should also be a part of the preparation of background scientific papers for tabling at the scheduled meetings.

Revision of the Present Management Procedures

In the early 1970's, the IWC adopted radical revisions of its procedures for managing whaling. For example, during this period, it shifted its basis for management from Blue Whale Units to catch limits by species and then to catch limits by stock. In 1975, the IWC adopted a "New Management Procedure" which established a system of classifying stocks within one of three categories (i.e., Protected, Sustained Management, and Initial Management Stocks) based on their respective sizes relative to their estimated Maximum Sustainable Yield levels. Commercial whaling was prohibited on Protected Stocks and different levels of catch were established for stocks in the remaining two categories depending on stock size, estimated MSY levels, and various other factors. Specific catch limits were to be set by the IWC after considering the advice and recommendations of its Scientific Committee.

The new management procedure has been challenged on the basis of the inadequacy of available data to confidently identify: discrete stocks of whales; their sizes; their MSY levels; and the biological models that would accurately predict population trends and effects of whaling. Prior to 1982, the U.S. pressed for the development and adoption of further revisions to the management procedures that would help take account of such uncertainties. Although various working group meetings were held between 1979 and 1982 to consider proposed revisions, no action was taken by the IWC before its 1982 meeting. Since then, the U.S. position has been that necessary interim revisions of the IWC's management procedures were taken in the form of the moratorium provision and that any efforts other than interim changes to revise management procedures should be taken as part of the process of planning and conducting the comprehensive assessment.

The planning of a workshop on the IWC's present management procedures will be considered during the April 1986 scientific meeting in England. As noted above, the U.S. should participate in that meeting. With respect to revising present management procedures, the Marine Mammal Commission believes the U.S. should take the position that efforts to revise management procedures as part of the comprehensive assessment are an appropriate and necessary undertaking in order to fairly consider modifications to Schedule paragraph 10 e and the establishment of catch limits other than zero for commercial whaling as required by that provision. During subsequent considerations of that matter, the U.S. should make sure that any proposal to revise management procedures incorporates certain safeguards. These should ensure that management decisions do not neglect uncertainties in available data and/or population models, and they should further ensure that the risk of reducing whale populations below acceptable levels are negligible.

Humane Killing of Whales

In 1980, the IWC banned the use of the cold (non-explosive) harpoon in all commercial whaling operations, except those that take minke whales, effective in the 1982-83 pelagic and 1983 coastal whaling seasons. The measure, adopted on the grounds that explosive harpoons which speed death are more humane, was extended by the IWC in 1981 to include minke whales. Although Brazil, Iceland, Japan, Norway, and the Soviet Union formally objected to the ban, several countries noted that their action was conditional upon the development and availability of safe and effective technology to replace the cold harpoons. By 1985, Norway and Japan were in full compliance with the ban on cold harpoons. In recent years, the U.S. has supported proposals for research on killing methods that are faster and has maintained the view that any future commercial whaling should use the most humane killing techniques available. Continued support for these positions would be appropriate.

The issue of humane killing has also been raised with respect to aboriginal/subsistence whaling. In 1985, the Aboriginal/ Subsistence Whaling Subcommittee received summaries of whaling methods used by aboriginal/subsistence whalers. At the 1985 IWC meeting, it was agreed that the Humane Killing Subcommittee of the Technical Committee would prepare, in association with affected whalers, a report for consideration at the 1986 IWC meeting. The U.S. position on this subject has been to note, as appropriate, that traditional weapons used by Alaska Eskimos do not constitute cold harpoons and that recent efforts, including a doubling of the explosive force of harpoons, have been undertaken to reduce both the time to death and the number of whales struck and lost. The U.S. should continue to assist Alaska Eskimos in efforts to improve the methods used to take bowhead whales.

Small Cetaceans

The Whaling Convention itself does not define the species covered by its terms. In the past, there has been extensive debate concerning its applicability to "small" cetaceans not listed on the whale nomenclature chart appended to the Convention. In 1980, the Scientific Committee recommended that the IWC implement certain management actions for several unlisted species, including white or beluga whales (*Delphinapterus leucas*) and narwhals (*Monodon monoceros*). Canada and certain other parties vigorously opposed the action on various policy, legal, and practical grounds maintaining, among other things, that the IWC does not have competence to manage species of whales and dolphins not listed on the nomenclature chart appended to the Convention. As a compromise measure that year, the Commission adopted a resolution proposed jointly by Canada and the U.S. which: noted that the question of IWC competence over the species in question is not resolved; recommended that the Scientific Committee's Subcommittee on Small Cetaceans continue to consider and develop advice on the status of cetaceans; and invited all contracting governments to consider that advice.

Following the 1980 meeting and in response to a general request from the IWC Secretariat for legal advice on the question of competence over "small" cetaceans, a legal memorandum was prepared by the National Oceanic and Atmospheric Administration's General Counsel and circulated to IWC parties. It concluded that nothing in the Convention explicitly limits the Convention to large cetaceans and that the broad preambulary language suggests an intent to provide comprehensive management of cetacean exploitation. The issue remains unresolved and small cetaceans continue to be considered by the Scientific Committee and the IWC according to the understanding set forth in the 1980 resolution. A second and still unresolved issue raised during the 1980 debate concerns the rights of coastal states within their respective Exclusive Economic Zones as set forth under the Law of the Sea Treaty. Since 1980, many countries, including most Latin American countries (led by Mexico) and Japan, appear to have adopted a more negative position with respect to this issue.

Since 1980, the U.S. has avoided debate on the small cetacean issue because this might prejudice its positions that the Convention provides jurisdiction over all cetaceans, that catch limits should be listed in the IWC Schedule for the direct take of small cetaceans based on advice from the Scientific Committee, that an overview of indirect take should be maintained by the IWC but that regulation of such take should be under appropriate regional fisheries organizations, and that the question of coastal states' rights should not be discussed with respect to small cetaceans since its implications also apply to the IWC's competence over large cetaceans. The Marine Mammal Commission considers these positions appropriate.

Although the Small Cetacean Subcommittee does not develop formal management recommendations for the IWC, its meetings have provided a valuable opportunity to exchange scientific information, and several scientific recommendations to limit catches have been followed by member nations (e.g., Norway for killer whales and Japan for Baird's beaked whales) as national quotas outside the IWC regulatory scheme. During the coming year, the Subcommittee is scheduled to examine pilot whale fisheries in the Faeroe Islands and elsewhere.

Conclusions

The United States has been an active and concerned participant in International Whaling Commission efforts to develop and implement an effective global conservation program. Although a milestone in that conservation program is now being realized with the onset of a moratorium on commercial whaling during this winter's pelagic whaling season and the upcoming coastal whaling season, important and difficult decisions must be made in the next few years leading up to and through the comprehensive assessment. Looking ahead to those decisions, as discussed above in greater detail, the Marine Mammal Commission recommends that:

- as a guiding principle, the U.S. take all feasible steps to insure the long-term future of the Whaling Convention and improve the effectiveness of the IWC;

- the U.S. continue its support of the moratorium provision at least until such time as the comprehensive assessment is completed and the provisions governing commercial take are re-examined;

- the U.S. make certain that post-comprehensive assessment management decisions do not neglect uncertainties in available data and/or population models which might, if disregarded, allow whale stocks to be reduced to or maintained at unacceptable levels, and that catch limits other than zero for commercial whaling be supported only if whale stocks are determined with certainty to be at a level which could sustain such exploitation;

- a group of three or four U.S. scientists be immediately designated to represent the U.S. at IWC meetings bearing on the comprehensive assessment and that this group meet with other appropriate U.S. scientists by mid March to consult on positions and develop scientific background papers on: a) procedures and timetables affecting the comprehensive assessment and b) potential revision of the IWC's present management procedures;

- the U.S. participate in IWC meetings, including those scheduled for 7-11 April in England and 6 June in Sweden, bearing on the comprehensive assessment, as well as meetings such as the one scheduled for 2 June in Sweden on socio-economic aspects of IWC whaling decisions;

- the U.S. continue to consider and, as appropriate, invoke sanctions available under the Pelly and Packwood-Magnuson Amendments against nations whose citizens a) engage in commercial whaling contrary to the moratorium provision or b) take whales under special permits for scientific research which are issued without required notification to the IWC or which clearly disregard such advice as may be provided by the IWC;

- the U.S. participate in the 2 June 1985 working group meeting and any other IWC meetings to consider matters relating to the issuance of special permits for scientific research;
- the U.S. continue to support IWC actions which reflect legitimate subsistence needs of Alaskan Eskimos;
- the U.S. maintain appropriate arrangements with the Alaska Eskimo Whaling Commission to ensure that the Alaska Eskimo bowhead whale hunt is conducted in a manner consistent with adopted IWC quotas and related provisions;
- the National Marine Mammal Laboratory continue its past practice of convening annual meetings to review and coordinate bowhead whale research supported by Federal agencies, State agencies, Native organizations, and industry groups by convening such a meeting as early as possible in 1986;
- money be provided the National Marine Mammal Laboratory to sustain efforts to better determine the net recruitment rate for the Bering Sea bowhead whale population as recommended by the IWC's Scientific Committee;
- the U.S. continue its support for development and use of the most humane killing techniques available, including efforts to improve techniques for the taking of bowhead whales for subsistence purposes; and
- the U.S. continue its position concerning small cetaceans.

Representatives of the Marine Mammal Commission and its Committee of Scientific Advisors on Marine Mammals have long participated on U.S. delegations to the IWC and in the meetings of the IWC's Scientific Committee. If you feel there is any way in which this collective experience might be of help to you, please let us know.

Sincerely,

John R. Twiss, Jr.
Executive Director

cc: The Honorable Edward E. Wolfe

Questions Submitted by The Honorable George M. O'Brien

1. Question: What percentage of the Commission's total resources is devoted to making recommendations and reviewing various programs for other Federal agencies?

Answer: It is difficult to say precisely what percentage of the Commission's resources is devoted to making recommendations and reviewing programs. Virtually every study undertaken by the Committee of Scientific Advisors results in recommendations as do virtually all of the Commissioners' decisions. Although one could consider program reviews separately, these are included inasmuch as they result in recommendations as well. Perhaps the fairest approach is to say that costs associated with purely administrative work and the costs of the research program itself do not fall within this category. Based on this analysis, it would be reasonable to estimate that about 70 percent of the Commission's resources go towards making recommendations and reviewing various programs.

With respect to the number of program reviews that take place, there has been an increase in numbers. Not only has the number of reviews increased, but the complexity of the issues has increased as well.

2. Question: Various environmental groups contend that the development of oil and gas on the outer continental shelf has an adverse impact on the ecology of marine mammals. However, there is some evidence to suggest that plankton and other ocean creatures that fish feed upon congregate around oil drilling platforms. In turn, many marine mammals, such as the seals off the coast of California, are assured a steady supply of fish that may not otherwise be available. Please discuss any studies or findings the Commission might have related to this.

Answer: Studies and analyses done by the Minerals Management Service, the Marine Mammal Commission, and others indicate that marine mammals and their habitat may be affected by offshore oil and gas development in a number of ways. Available data indicate, for example, that fur seals, sea otters, and polar bears which depend upon their fur to insulate them from the cold environment in which they live, would be seriously affected by contact with spilled oil. On the other hand, hair seals, cetaceans, and other marine mammals dependent upon blubber rather than fur for insulation likely would be affected adversely only by prolonged exposure to the volatile components of spilled oil. Similarly, noise from seismic profiling, platform construction and drilling, ship and aircraft operations, and other activities associated with offshore exploration and development may cause some but not all marine mammals to avoid or abandon areas where they are repeatedly exposed to startling and/or chronic noise disturbance. All marine mammal species could be affected adversely if spilled oil, toxic substances in drilling muds, or other environnmental contaminants associated with exploration and development activities damage or destroy critical feeding areas or food supplies and there are no alternative feeding areas or food supplies.

With regard to the potential benefits of oil drilling platforms, it is true that platforms can and in many cases do act as artificial reefs and support plant and both shellfish and finfish communities which in turn may support seals, sea otters, and other marine mammals. However, such artificial reefs are very small and consequently can potentially benefit only small numbers of animals. Because of their close proximity to the platforms such animals could have a higher risk of exposure to spilled oil, possible toxic substances in drilling muds, and other contaminants.

There can be little doubt, as illustrated by the information provided in the attached Commission contract report by R. Tinney, that the potential adverse effects of offshore oil and gas development on marine mammals are greater than the potential beneficial effects.

3. Question: Under the category of "Other Services" your FY 1987 budget request shows a net decrease. Please explain the reason for this decrease.

Answer: The Marine Mammal Commission is required by statute to undertake certain activities and to support three Commissioners and a nine-member Committee of Scientific Advisors salaried on a part-time basis at a GS-18 level and to maintain a certain staff level. Given these facts, the vast majority of our costs, including those in "Other Services", are fixed. The one exception in the category of "Other Services" is the research program, and this is the portion of the Commission's budget which has been substantially decreased.

4. Question: What impact did the Gramm-Rudman-Hollings sequestration have on the Commission's activities?

Answer: $39,000 has been cut from the FY 1986 budget and this impact is felt primarily in the research program. In order to attempt to maintain a research program of some worth, we have been reducing the grade levels in hiring new people and otherwise exercising as tight controls as possible.

We are not, at present, staffed at the statutorily required level. Although we have advertised for the positions, competent people at the levels at which we are advertising do not appear to be available. Our feeling is that one is worse off hiring weak personnel than keeping a position empty.

Questions Submitted by The Honorable Ralph Regula

1. Question: Identification code 25.0 of your salaries and expenses form indicates a decrease of $124,000 (from $203,000 in Fiscal Year 1986 to $79,000 in Fiscal Year 1987) for "Other Services". Please define what activities include "Other Services" and explain the reason for the large decrease in this category. Can the Commission carry out its duties with this substantial cut?

   Answer: Under the category "Other Services", the following are included: the Commission's entire research program; General Services Administration support (personnel, finance, budget, etc.); court reporting of our meetings; training; part-time secretarial help; equipment repairs; and similar service orders. The decrease in the Commission's research program is so substantial that, although it will still be possible to meet minimum statutory requirements, it will no longer be possible to support a research program which is felt by many to have been one of the most cost-effective there is. In each of our Annual Reports, the separate program elements are described, and papers resulting from those activities appear in the Appendices.

2. Question: During Fiscal Year 1986, the Commission advised the National Marine Fisheries Service on action to be taken with regard to the incidental take of marine mammals in fishing gear. What are the details of the National Marine Fisheries Service proposed entanglement program, and when does the Commission expect to have a position on this program developed?

   Answer: On 20-21 August, representatives of the Commission participated in a meeting convened by the National Marine Fisheries Service at the Northwest and Alaska Fisheries Center in Seattle, Washington to identify and consider priority tasks for the Fiscal Year 1986 entanglement program. Based on the results of that meeting and subsequent deliberations, the Service prepared a recommended Fiscal Year 1986 program plan which the Commission received early this year. The recommended program plan for this Fiscal Year is for $750,000 and includes the following elements:

1. Continuation of an information and education program on marine debris to advise fishermen and others of needs for mitigating the problem.....................$120 K

2.	Development of techniques to reduce disposal of refuse in the ocean	$60 K
3.	Field tests to study the practicality of applying degradable materials technology to certain types of marine debris	$15 K
4.	A study to review available information on the effects of marine debris on benthic and midwater communities	$20 K
5.	Continuation of studies to assess the magnitude of entanglement related impacts on northern fur seal and northern sea lion pups	$35 K
6.	Collecting and cataloging marine debris from habitat of the Hawaiian monk seal in the northwest Hawaiian Islands	$10 K
7.	Continuation of trial discard studies to follow and document the fate of lost gill nets and their effect on marine life	$10 K
8.	A study to determine the behavior of fur seals in the presence of large fragments of derelict debris	$35 K
9.	A study of factors relating to the loss of buoyancy of floating marine debris	$15 K
10.	Research to determine the extent and effect of plastic ingestion in Hawaiian seabirds	$20 K
11.	Clean-up of selected Pribilof Island fur seal hauling beaches	$5 K
12.	Continuation of studies to determine the types of marine debris and the rates of accumulation on Alaskan beaches	$25 K
13.	Continuation of studies to determine entanglement rates and survival of northern fur seal females	$25 K
14.	Spectrophotometric analysis of derelict fishing gear to determine its type, origin and age	$27 K
15.	Program Management (including support for a program coordinator's position)	$78 K
16.	Observations of gear loss rates during drift net fishing operations by Japan, Korea, and Taiwan in the North Pacific Ocean	$250 K

Additional studies were also identified by the Service in the event that additional funding support in excess of $750,000 becomes available. Commission comments go to the Service this week.

3. Question: I understand that during Fiscal Year 1986 the Commission has been involved in policy making with the International Whaling Commission. What is the International Whaling Commission's policy with regard to the protection of pilot whales in the Faeroe Islands? Have you had any input in this policy? If so, what is the position of the Commission on the alleged sport of slaughtering these whales which is known as "Grindabod"?

Answer: Pilot whales are small cetaceans which have been taken on the Faeroe Islands for many centuries. The International Whaling Commission has not established a formal policy or position with respect to regulating this take because its members are not in agreement as to whether the IWC has jurisdiction under its charter (the Convention for the Regulation of Whaling) to regulate the take of any small cetacean. While the U.S. and certain other members of the IWC have taken the position that the Whaling Convention does provide authority to regulate the direct take of pilot whales and other small cetaceans, other members have taken the opposite view. The Convention itself does not address this point specifically and, in the late 1970's and early 1980's, the question of IWC jurisdiction over small cetaceans was the subject of extensive debate within the membership of the IWC. Among other matters, the debate raised issues concerning the rights of coastal states to manage resources within their coastal waters.

The question was unresolved and, as a compromise measure, the IWC adopted a resolution in 1980 which was proposed jointly by the U.S. and Canada. The resolution noted that the question of competence over the species in question was unresolved, recommended that the Small Cetacean Subcommittee of the Scientific Committee continue to consider and develop advice on the status of cetaceans, and invited all contracting governments to consider that advice. The matter is still unresolved and the Small Cetacean Subcommittee continues to review information and to recommend management measures concerning small cetaceans. Although its recommendations are only noted by the IWC and are non-binding, several of its recommendations have been followed by member nations in recent years. The Marine Mammal Commission supports the U.S. position concerning the IWC's jurisdiction over pilot whales and other small cetaceans. Some members of the Marine Mammal Commission and its Committee of Scientific Advisors have participated on the IWC's Small Cetacean Subcommittee in recent years and will do so again this year when the Subcommittee is scheduled to examine pilot whale fisheries in the Faeroe Islands and elsewhere. The Marine Mammal Commission expects that this meeting will provide a valuable opportunity to review relevant information concerning the ongoing take of pilot whales in the Faeroe Islands and we hope that useful recommendations can be developed and put forward to provide guidance for ensuring that the take is properly regulated and conducted in a humane manner.

PB85-174035

Some Factors Affecting the Oil Spill Risk to Sea Otters in California

Richard T. Tinney
Arlington, Virginia

Oct 84

U.S. DEPARTMENT OF COMMERCE
National Technical Information Service
NTIS

PB85-174035

REPORT NO. MMC-84/03

SOME FACTORS AFFECTING THE OIL SPILL RISK TO SEA OTTERS IN CALIFORNIA

Richard T. Tinney, Jr.
1501 South George Mason Drive
Arlington, Virginia 22204

October 1984

Final Report to the U.S. Marine Mammal Commission
in fulfillment of Contract No. MM2910765-4

Prepared for

U.S. Marine Mammal Commission
1625 I Street, N.W.
Washington, D.C. 20006

REPRODUCED BY
NATIONAL TECHNICAL
INFORMATION SERVICE
U.S. DEPARTMENT OF COMMERCE
SPRINGFIELD, VA. 22161

50272-101

REPORT DOCUMENTATION PAGE

1. REPORT NO. MMC-84/03

2.

3. Recipient's Accession No.

4. Title and Subtitle
Some Factors Affecting the Oil Spill Risk to Sea Otters in California

5. Report Date October 1984

6.

7. Author(s) Richard T. Tinney, Jr.

8. Performing Organization Rept. No.

9. Performing Organization Name and Address
Richard T. Tinney, Jr.
1501 South George Mason Drive
Arlington, Virginia 22204

10. Project/Task/Work Unit No.

11. Contract(C) or Grant(G) No.
(C) MM2910765-4
(G)

12. Sponsoring Organization Name and Address
U.S. Marine Mammal Commission
1625 I Street, N.W.
Washington, D.C. 20006

13. Type of Report & Period Covered Final

14.

15. Supplementary Notes
The views, ideas and opinions expressed in this report are those of the author and are not necessarily shared by the Marine Mammal Commission, its staff or its Committee of Scientific Advisors on Marine Mammals.

16. Abstract (Limit: 200 words)

Sea otters in California, with their limited range and numbers, are exposed to the threat of oil spills from a number of sources including offshore oil and gas development, transportation of crude oil and refined products, and the bunker fuel of vessels transiting the otter range. This report explores some of the direct and indirect ways otters may be affected by oil spills, including hypothermia, pneumonia, toxic effects, and destruction of preferred prey. The report also examines the possibility of mitigating the effects of oil spills through spill containment and cleanup, otter capture, cleaning and rehabilitation, and otter relocation. The report concludes with a description of the amount of shoreline affected by some major spills in various parts of the world.

17. Document Analysis a. Descriptors

Sea otter, oil spills, oil spill containment, oil spill cleanup, sea otter herding, sea otter capture, and sea otter rehabilitation.

b. Identifiers/Open-Ended Terms

c. COSATI Field/Group

18. Availability Statement Availability Unlimited

19. Security Class (This Report) Unclassified

20. Security Class (This Page) Unclassified

21. No. of Pages 74

22. Price

(See ANSI-Z39.18) See Instructions on Reverse

OPTIONAL FORM 272 (4-77)
(Formerly NTIS-35)
Department of Commerce

TABLE OF CONTENTS

Summary i

I. Introduction 1

II. Oil and Gas in and near the Sea Otter Range 6

- Leasing History 6
- Santa Maria Basin 7
- Santa Barbara Channel 10
- Areas to the North 10
- Transportation of Offshore Oil 13
- Other Transportation 15
- Oil on Land 16

III. Otters and Oil 17

- Direct Effects 17
- Indirect Effects 20

IV. Oil Spill Control and Mitigation 28

- Oil Spill Prevention 28
- Oil Spill Containment and Cleanup 28
- Otter Control and Rehabilitation 37

Summary and Recommendations

Sea otters in California, with their limited numbers and range, are exposed to the threat of oil spills from a number of sources including offshore oil and gas exploration and development, transportation of crude oil and refined products, and the bunker fuel of vessels transiting the otter range. This report examines selected aspects of the known and potential effects of these threats, both direct effects on otters and indirect effects on otters and their habitat.

The sea otter range has been bracketed by two large oil spills, the 1971 collision of two tankers under the Golden Gate Bridge, and the Santa Barbara Channel blowout in 1969. Since that time there have been several near disasters within the otter range. Moreover, interest in offshore oil and gas operations in and near the sea otter range has been growing, with offshore operations beginning in waters in or immediately adjacent to the otter range for the first time.

Exploration and development of offshore oil tracts at the southern end of the otter range is well underway in federal waters. A planned sale in state waters has been indefinitely postponed. At least five platforms are planned for federal waters north and west of Point Conception, considered the demarcation line between Central and Southern California. Several new platforms also are planned for Southern California waters in the Santa Barbara Channel. Industry interest is strong in offshore areas in the otter range and to the north of it, but a moratorium, lasting at least until October 1, 1985, on funding lease sales in those areas has prevented any exploration.

Transportation of oil is the most substantial oil-related threat to sea otters. Almost all oil produced offshore in California is moved ashore via pipelines, and plans for expanded development and production anticipate that this will continue to be the case. Much crude oil, of onshore and offshore origin, and refined products move along the Central California coast via tankers. Otters also may face a threat of spills from onshore sources such as coastal oil storage facilities at power plants and tanker terminals.

Otters may be affected by oil in a number of direct and indirect ways. Because otters depend on their fur for insulation, should an otter's fur become oiled it would face hypothermia and pneumonia. Otters could also be exposed to the toxic effects of oil through their practice of orally grooming themselves. Consumption of oil-contaminated prey could also expose otters to toxic oil. Overall oil exposure would be prolonged should oil be incorporated into the sediments in which otters forage.

An indirect effect of oil on otters would be the possible reduction or elimination of preferred prey items. This could result in starvation, movement to adjacent areas already at carrying capacity, disease, or death. Of the many kinds of animals making up the otter's diet, the most important are crabs, clams, mussels, chitons, abalones, sea urchins, and turban snails. Laboratory research and observations of oil spills in the field have shown (although not necessarily with respect to individuals of the same species as found in the otter diet) that crabs, clams, mussels, and sea urchins are strongly affected by oil. Evidence of oil effects on turban snails and abalones is inconclusive, while there is no evidence that chitons are affected by oil.

Direct and indirect effects on otters can be avoided through oil spill control and mitigation. In recent years, improved technology, operation procedures, and safety measures have substantially reduced spill frequencies. Concurrently, oil spill containment and clean up technology has advanced. Several levels of organizations have oil spill contingency plans for some or all of the otter range, including the Coast Guard, the California Department of Fish and Game, industry oil spill cooperatives, and oil companies. All of these have substantial room for improvement, particularly with respect to recovery and rehabilitation of otters involved in spills, and with special reference to some of the oil industry plans, with respect to their oil spill trajectory predicting.

Beyond oil spill containment as a means of limiting spill effects on otters is otter control. Experiments to date involving otter herding and harassment have proven unsuccessful, but there is hope that further efforts will prove fruitful. An alternative approach, capturing otters to move them away from spill areas, may be successful in terms of removing some of them, but not all of them. Capturing otters after they have encountered a spill would be more difficult due to reduced visibility and other problems.

Techniques for the cleaning and rehabilitation of oiled otters are still in the developmental stage. Any cleaning efforts are expected to be very time and labor consumptive.

Oil spills in or near the otter range, should they occur, will pose a threat to any otters in areas the spilled oil may reach. Spills outside of the otter range have spread over very large areas, such as the Santa Barbara Channel spill (230 km of coastline), the Golden Gate spill (95 km), the _Amoco Cadiz_ spill (320 km), the _Torrey Canyon_ spill (400 km), and the _Ixtoc I_ spill (1000 km).

Recommendations

Based on the information summarized above and set out more fully in the body of this report, the author makes the following recommendations for research and other actions:

1. That there be an analysis of shipping patterns along the Central California coast looking at the types of vessels transiting the coast, their cargo by general type, and the distance from shore that they travel;

2. That research continue on techniques of otter herding, deterrence, and capture with the intent of mitigating the effects of oil spills on otters;

3. That there be an investigation of the susceptibility to lethal and sublethal effects of crude oil, bunker fuel, and refined products for the species of marine animals making up the sea otter diet in California;

4. That a model of otter/oil interactions be developed, relating to seasonal movements and concentrations of otters, seasonal changes in ocean water currents and winds, and likely oil spill trajectories, with the intent of strategic planning for oil spill response; and

5. That oiled otter cleaning and rehabilitation capabilities be strengthened through improvement of contingency plans for oil operations and spill response, through coordinated planning (e.g., through a workshop) for the cleaning and maintenance of captured oiled otters at rehabilitation facilities, including such matters as transportation priorities, stockpiling of necessary equipment and supplies (or identification of quick-response sources), and standardized protocols.

I. INTRODUCTION

On January 14, 1977, the U.S. Fish and Wildlife Service determined that the Southern Sea Otter (Enhydra lutris nereis) is a threatened species within the provisions of the Endangered Species Act, 16 U.S.C. sec. 1531-43; 87 Stat. 884. (42 Fed. Reg. 2965-69). In the years since that determination the sea otter has been the focus of a number of controversies. Ranging from the use of oil tankers and gill nets in the sea otter range to the impacts of otters on sport and commercial shellfish fisheries, these controversies have engendered much public debate and a not inconsequential amount of research concerning the nature of the conflicts between otters and these activities as well as means of mitigating them.

One of these controversies involves the risk to otters from the transportation of oil through the otter range and the development of offshore oil and gas at the southern end of the range. New oil discoveries and development plans have raised the possibility of offshore drilling rigs and production platforms existing for the first time in the midst of otters on their established range. At the same time, concern has been growing about the risk posed by the many vessels transiting the sea otter range with cargoes of crude oil and refined products, or with large amounts of bunker fuel on board.

Like several other controversies relating to sea otters, such as the otters' effects on shellfisheries, this controversy has a distinct geographical element. Indeed, in one sense, geography is the greatest enemy of sea otters. Their established range, as is shown in Figure 1, is rather limited, extending only over some 300 km (200 miles) of the Central California coast. This span has been occupied only recently, with the range expanding as the otters' population slowly grew over the years. Some of the range expansion milestones are shown in Figure 2. Similarly, new oil discoveries are occuring in limited areas in and near the otter range. This is shown in Figure 3 for the latest oil leasing areas.

The purpose of this report is to examine selected aspects of the actual and potential effects of oil and gas transportation and offshore operations on sea otters. Additionally, the report explores the possibilities of avoiding and mitigating these effects. In part this is accomplished as an updating of an earlier report that described past, present, and likely future levels of oil and gas transportation and offshore operations in and near the sea otter range in California (Tinney, 1983). Beyond that, this report makes some initial forays into areas not explored before, relating to possible indirect effects of oil spills on sea otters and their habitat. In these matters the

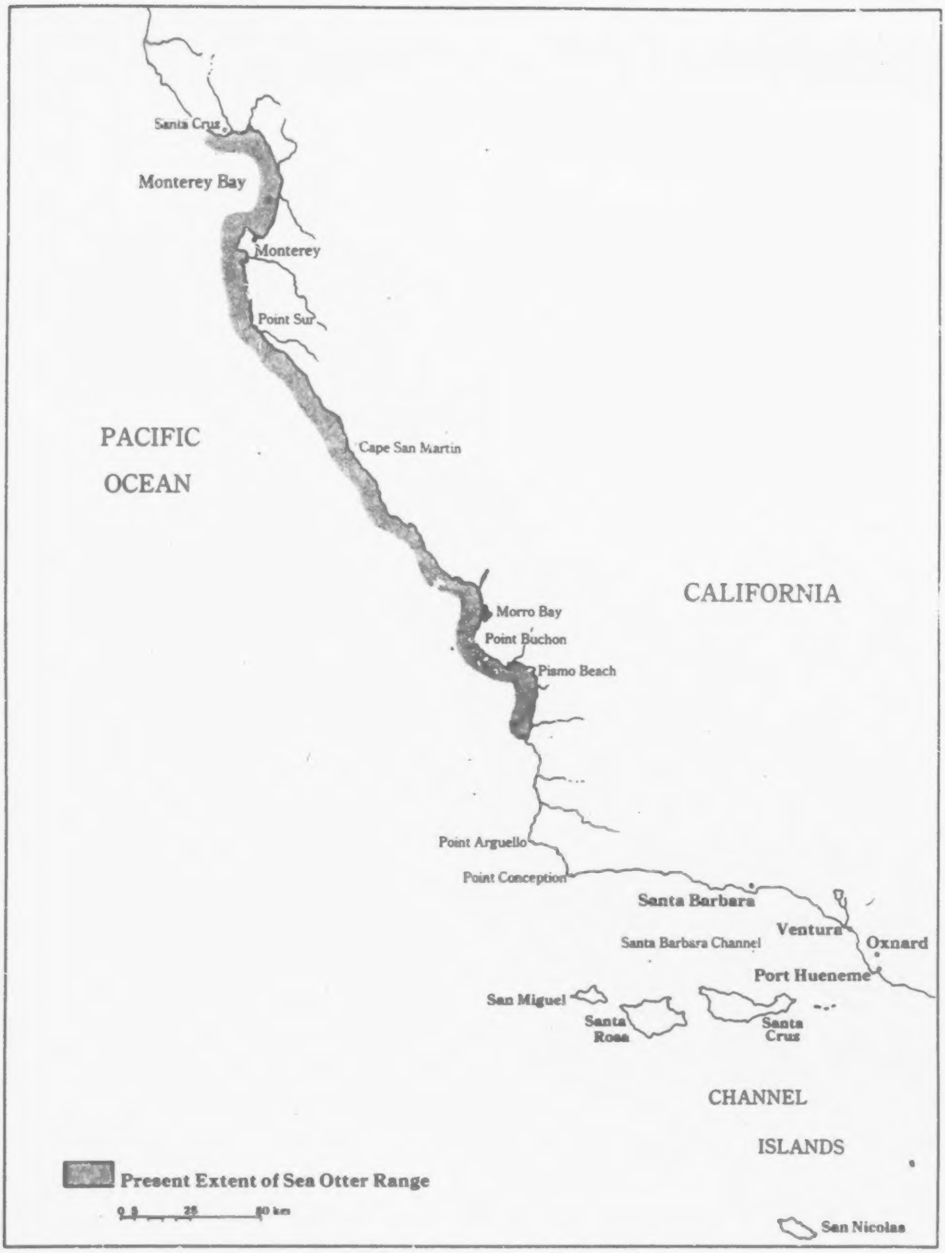

Santa Cruz
Monterey Bay
Monterey
Point Sur
PACIFIC
OCEAN
Cape San Martin
CALIFORNIA
Morro Bay
Point Buchon
Pismo Beach
Point Arguello
Point Conception
Santa Barbara
Ventura
Santa Barbara Channel
Oxnard
Port Hueneme
San Miguel
Santa Rosa
Santa Cruz
CHANNEL
ISLANDS
Present Extent of Sea Otter Range
0 5 25 50 km
San Nicolas

Figure 1: Present Extent of Sea Otter Range in California

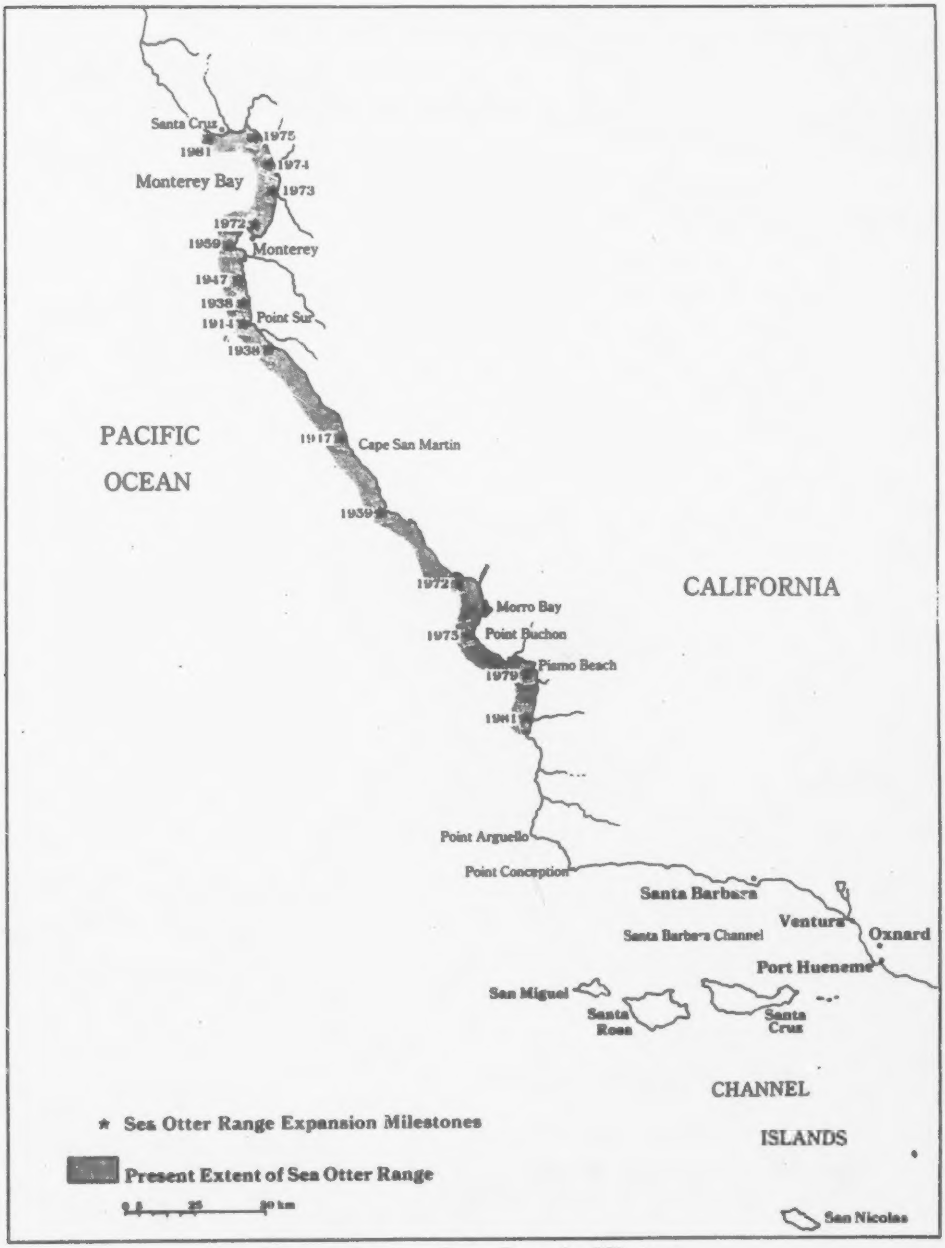

Santa Cruz
1981
1975
1974
Monterey Bay
1973
1972
1959
Monterey
1947
1938
1914
Point Sur
1938
PACIFIC
OCEAN
1917
Cape San Martin
1959
1972
Morro Bay
1975
Point Buchon
Pismo Beach
1979
1981
CALIFORNIA
Point Arguello
Point Conception
Santa Barbara
Ventura
Oxnard
Santa Barbara Channel
Port Hueneme
San Miguel
Santa Rosa
Santa Cruz
CHANNEL
ISLANDS
★ Sea Otter Range Expansion Milestones
Present Extent of Sea Otter Range
0 5 25 50 km
San Nicolas

Figure 2: Sea Otter Range Expansion Milestones

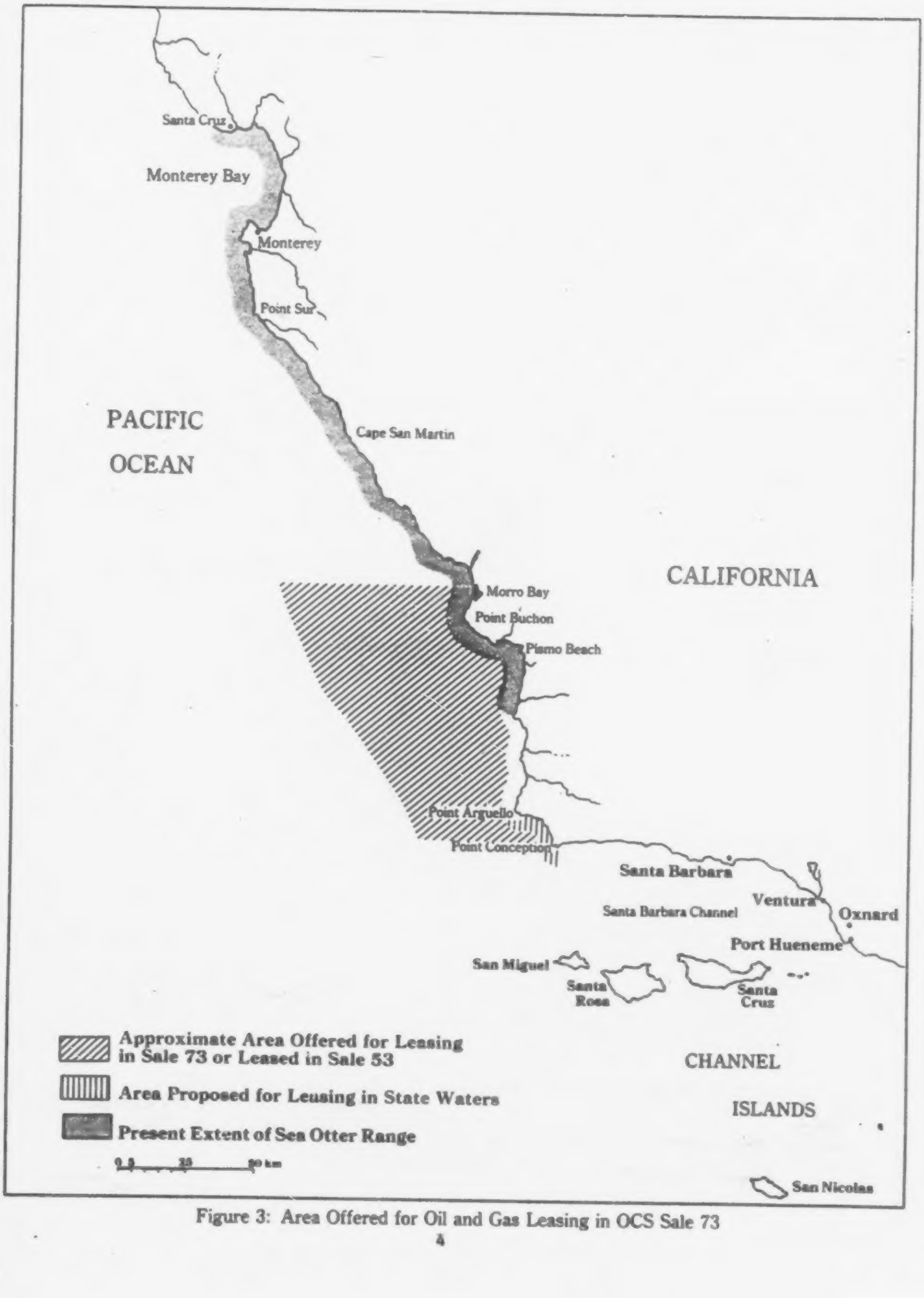

Santa Cruz
Monterey Bay
Monterey
Point Sur
PACIFIC OCEAN
Cape San Martin
CALIFORNIA
Morro Bay
Point Buchon
Pismo Beach
Point Arguello
Point Conception
Santa Barbara
Ventura
Oxnard
Santa Barbara Channel
Port Hueneme
San Miguel
Santa Rosa
Santa Cruz
CHANNEL ISLANDS
San Nicolas
▨ Approximate Area Offered for Leasing in Sale 73 or Leased in Sale 53
▥ Area Proposed for Leasing in State Waters
▩ Present Extent of Sea Otter Range
0 5 25 50 km

Figure 3: Area Offered for Oil and Gas Leasing in OCS Sale 73

report is not intended to be definitive, but rather to determine whether there is any substantial evidence to indicate that these matters should be areas of concern.

II. OIL AND GAS ACTIVITIES IN AND NEAR THE SEA OTTER RANGE

The perceived threat of oil spills in the sea otter range, primarily from tankers transiting the coast, was one of the main reasons that the California population was designated "threatened" in 1977 under the Endangered Species Act. Fortunately, there have been no major spills in the sea otter range in California to date. The range has been bracketed by large spills, however, with the collision of two tankers under the Golden Gate Bridge to the north of the range fouling about 230 kilometers of bay and oceanic coast in 1971 and the blowout at Platform A in the Santa Barbara Channel covering about 95 kilometers of the coast to the south in 1969.

More recently several near disasters have occured within the sea otter range. On April 7, 1980, the tanker Austin, loaded with over 70,000 barrels of oil, was disabled by a fire in its engineroom some 17 miles off Point Piedras Blancas near the middle of the otter range. The vessel drifted to within seven miles of the shore. Coast Guard efforts to slow the ship's shoreward drift by turning it into the wind were stymied when the towline broke. The ship's crew was able to make repairs and the ship got underway without further incident.

On April 19, 1984, another tanker, the Sealift Pacific, loaded with 143,000 barrels of diesel oil, lost power about 10 miles off Cypress Point. The ship drifted to less than two miles off the shore where it dropped anchor. The anchor held, and after numerous delays repairs were made and the ship continued its voyage. See Addendum A for a chronology of this incident.

In addition to the threat posed by tankers and other vessels, the last few years have seen very strong interest in developing oil resources located at the southern end of the otter range in both federal and state waters. Evidence of interest in such development along other ports of the sea otter range in California, at least in federal waters, is apparent and is described below. Accidents from oil and gas exploration, development, and production, while unlikely, add to the threat of oil spills.

Leasing History

The offshore oil and gas leasing, exploration, and development situation in and near the sea otter range has been dynamic in recent months. Exploratory drilling on tracts leased in sales 53 and RS-2 has continued and is expected to begin soon on sale 73 tracts, litigation over the northern-most tracts bid on in sale 53 has ended, plans for development of offshore tracts have solidified, and new litigation has delayed the leasing of state tidelands.

The extent of oil and gas exploration and development in and near the sea otter range up to mid-1983 has been described elsewhere (Tinney, 1983). In summary, up to the time of that report, seven OCS lease sales had been held off southern and central California. A total of 870 tracts covering about 6.7 million acres had been offered in those sales, leases being awarded on 329 tracts covering a total of about 1.7 million acres. Of the 329 leases awarded, 182 were still active. Twelve platforms were in place in federal waters with another seven platforms plus one island and six subsea completions in state waters. All of these platforms and other facilities were "near" rather than "in" the sea otter range, being located in the Santa Barbara Channel. The channel is located about 50-150 kilometers from the southern end of the otter range and is occasionally visited by otters (Leatherwood et al., 1978). Two platforms and six islands in state waters, as well as two platforms in federal waters, are additional to those located in the Santa Barbara Channel, and are located south of Los Angeles in San Pedro Bay.

Santa Maria Basin

Since the earlier report, changes have occured. In an eighth lease sale off California, number 73, 137 tracts in the Santa Maria Basin of Central California were offered. High bids totalling $16.2 million were made on eight tracts in this sale. The bids were accepted by the Secretary of the Interior on January 27, 1984, after Supreme Court Justice William Rehnquist overturned a Ninth Circuit Court of Appeals injunction barring opening of the sealed bids. The eight tracts in sale 73 are in the same general area as those leased in the earlier sale 53. Importantly, four of those eight are located adjacent to the three-mile wide state waters at the mouth of the Santa Maria River in the area generally regarded as the southern terminus of the sea otter range (See Figure 4).

The award of the eight leases resulting from sale 73 was followed by the resolution of the litigation regarding the northern-most tracts offered in sale 53. Nineteen tracts were tied up in the litigation which centered on a provision in the Coastal Zone Management Act relating to federal projects "directly affecting" the coastal zone. Going all the way to the Supreme Court, the litigation was ultimately decided against the State.

On May 11, 1984, the Department of the Interior announced to the successful bidders on the litigated tracts that the leases were ready to be signed. On May 14, 1984, Atlantic Richfield Company (ARCO), high bidder on eleven of the disputed tracts, announced on behalf of itself and its partners that they were abandoning seven of those tracts. ARCO also announced that it was pulling out of its partnerships on the other four tracts on which it had bid. Abandonment of the seven tracts cost the companies $32.4 million, twenty percent of the amount they had

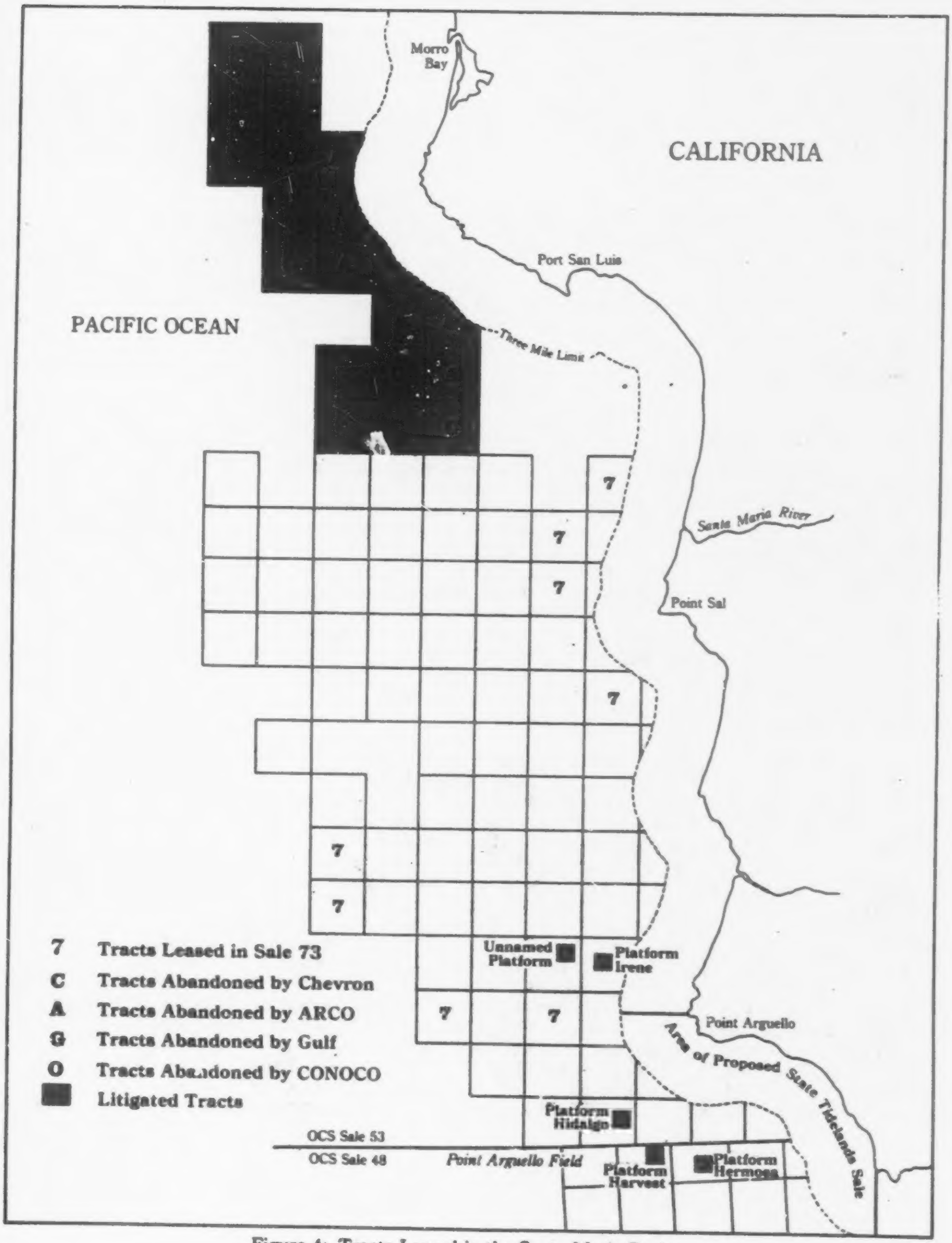

Morro Bay
CALIFORNIA
Port San Luis
PACIFIC OCEAN
Three Mile Limit
Santa Maria River
Point Sal
7
Unnamed Platform
Platform Irene
Point Arguello
Area of Proposed State Tidelands Sale
Platform Hidalgo
OCS Sale 53
OCS Sale 48
Point Arguello Field
Platform Harvest
Platform Hermosa
7 Tracts Leased in Sale 73
C Tracts Abandoned by Chevron
A Tracts Abandoned by ARCO
G Tracts Abandoned by Gulf
O Tracts Abandoned by CONOCO
■ Litigated Tracts

Figure 4: Tracts Leased in the Santa Maria Basin

bid. A few days later Chevron, U.S.A. followed ARCO's announcement with a decision to abandon the three litigated tracts for which it and partner Phillips Petroleum were successful bidders. Later, Gulf and Conoco each abandoned single tracts. The abandoned tracts will remain unleased rather than passing to the second highest bidder.

In announcing the abandonment of its tracts, ARCO cited the fact that the tracts were not as economically attractive as others to which its exploration funds are being directed. ARCO also cited "continued costly delays and burdensome restrictions" relating to environmental matters as further reasons for abandoning the tracts (O'Reilly, 1984).

The actions by ARCO, Chevron, and the others leave five of the 19 litigated tracts open to exploration and development. These five are among twelve tracts farthest to the north in those Santa Maria Basin areas open to OCS operations. All lie between 4.5 miles and 12 miles from shore. No exploration plans have been filed with the Minerals Management Service for any of these tracts, so what will happen to them is unclear at this time.

The picture of what will happen to other Santa Maria Basin tracts to the south of the litigated tracts is much more clear. Outside of the litigated area are 73 tracts currently under lease. Exploration plans have been filed for all but 19 of the tracts. Eight of the ten Santa Maria Basin tracts leased in sale RS-2, held August 5, 1982, lacked exploration plans, as did all but one of the eight sale 73 tracts and three of the sale 53 tracts. The exploration plans for the remaining tracts (a total of 53) describe 246 possible exploratory wells. While almost certainly this number of wells will not be drilled in the exploratory phase, some tracts have already seen as many as four exploratory wells drilled on each.

Development plans have been filed for three sale 53 tracts to date. No development plans have been filed for lease sale RS-2 or lease sale 73 tracts. Two other plans of development have been filed for tracts, immediately to the south of sale 53 tracts, which were leased in lease sale 48, a lease sale denominated as a "Southern California" sale. One platform is proposed for each of these five tracts. The tract number, platform name, water depth, and number of "slots" (well-drilling guides) for each platform are shown in Table 1. These five platforms, as Table 1 demonstrates, have the capacity for 286 wells in all.

In state waters, a lease sale planned for the area between Point Arguello and Point Conception has been delayed by litigation on both environmental grounds relating to the adequacy of the environmental impact report prepared under the California Environmental Quality Act and on jurisdictional grounds relating to a dispute between the State Lands Commission and the California Coastal Commission. Originally scheduled for August

Table 1: Platforms Proposed for Point Arguello Field and Santa Maria Basin OCS Tracts

Tract	Platform Name	Water Depth	Number of Slots
315	Harvest	670 feet	50
316	Hermosa	602	48
441	Irene	242	72
450	Hidalgo	430	56
440	(unnamed)	280	60

Source: Pacific OCS Office, 1984.

15, 1983, and then rescheduled for September 30, 1983, the state tidelands lease sale has yet to be held and is indefinitely postponed. No date has been set for the sale and it is not expected to occur until after the litigation is terminated. This could mean that the sale will not occur in 1984 and possibly not in 1985 (Hansch, pers. comm.).

Santa Barbara Channel

To the south of the Santa Maria Basin, in Santa Barbara Channel waters to the south and east of the otter range past Point Conception, exploration and development is proceeding in both federal and state waters. At present 12 platforms exist in federal waters. In state waters there are seven platforms, one island, and six subsea completions.

As many as five additional platforms are currently planned for the federal portion of the channel, with a total of 213 slots (Pacific OCS Office, 1984). In state waters, ARCO proposes to install two two-platform complexes in the Coal Oil Point offshore field near Santa Barbara.

The preliminary schedules for the projects in federal water call for the following (Havran, 1983):

- Chevron platform "Gail" to be installed in the Sockeye field near Anacapa Island in 1986;
- Exxon "Hondo B" to be installed in 1987;
- Exxon "Pescado A" or "Pescado B-2" to be installed in 1989; and
- Exxon "Pescado B-1" platform to be installed in 1992 or 1998, if needed.

In state waters, the ARCO Coal Oil Point platforms are preliminarily scheduled to be installed in 1986 and 1987 (ARCO, 1983).

Lease sale 80 was held on October 17, 1984, with 657 tracts being offered in the Santa Barbara Channel and areas to the south. A total of 25 tracts received bids, including 18 in the Channel (Williams, 1984).

Areas to the North

That the oil industry is interested in tracts elsewhere in and near the sea otter range is clear. A Chevron, U.S.A. exploration official is quoted (Crow, 1984) as objecting to drilling moratoriums in central and northern California and saying:

> "North of the recent Santa Maria/Point Arguello discoveries, leasing is prohibited in at least five sedimentary basins off the California coast. Four of these basins contain one formation (the Monterey) that has produced 1 billion bbl of oil onshore, but this formation remains untested offshore. USGS estimates that these basins could yield 4 billion bbl or more of oil. But they remain off limits to the industry's exploration teams."

Preparatory to 1981's lease sale 53, 27 oil companies nominated some 1,743 blocks totalling over 8 million acres for leasing (Bureau of Land Management, 1980). Included were tracts off Santa Cruz and from Pfeiffer Point (just south of Point Sur) south to Point Conception. That sale subsequently was limited to tracts in the southern part of the Santa Maria Basin, south of Port San Luis (the Santa Maria Basin extends along the coast from Point Sur to Point Arguello and inland south of Santa Maria). Areas to the north are presently under a leasing moratorium to last at least until the end of September, 1985.

Early in 1984 a geophysical exploration company offered seismic subsurface survey data for sale from areas along virtually the entire California coast (Western Geophysical, 1984). An especially heavy concentration of survey lines was shown in the Santa Maria Basin between Point Sur and Point Buchon, an expanse extending most of the way along the sea otter range. Seismic data were also offered, but not as heavily concentrated, from the remainder of the otter range, including state waters in Monterey Bay (presently closed to oil and gas operations).

Whether and when these interests will be realized is open to question. The next offering of tracts in central California will be lease sale 91, now scheduled for early 1987. This sale was originally scheduled in the July 1982 5-year leasing plan to be held in September of 1985. At present, it is questionable whether the 1987 target date will be met since legislation currently prohibits the spending of federal funds on activities related to OCS leasing in areas of central and northern California north of Morro Bay.

In areas to the north of the present sea otter range, an offshore engineering firm is planning to drill 32 shallow-core test wells, including 15 wells in the area between Santa Cruz and Half Moon Bay (south of San Francisco). These wells will be up to 300 feet deep and will be used to gather geological information to be sold to the oil industry for use in evaluating the petroleum potential of the area.

Transportation of Offshore Oil

At present almost all oil produced offshore in California is transported ashore via pipelines. The exception is the crude oil produced at the Hondo platform, which is piped to an offshore storage and treatment vessel and then loaded onto tankers for shipment to refineries in the Gulf of Mexico via the Panama Canal. Hondo produces about 40,000 barrels of oil daily (Science Application Inc., 1984). Tankers onload this oil about every five days.

Given the amount of exploration and development underway and planned for the Santa Barbara Channel and the Santa Maria Basin, the transportation picture for offshore crude oil is likely to change substantially in the near future. Plans have been made public for the Santa Ynez Unit (Hondo, Sacate, and Pescado fields and platforms), ARCO's Coal Oil Point development, and other facilities in the Channel. In the Santa Maria Basin, plans for the Point Arguello field, Exxon's tract 0440, and Union Oil's tract 0441 also have been disclosed.

Exxon has proposed two alternatives for its Santa Ynez Unit development in the western end of the Channel. Both involve the addition of three or four platforms to the one (Hondo "A") currently found in the unit. The two alternatives differ in the amount of oil and gas to be produced on a daily basis and on how the crude oil will be transported. The so-called "Option A" alternative involves a two-fold increase in the production of oil (to 80,000 barrels per day) and a three-fold increase in the production of gas (to 90 million cubic feet per day). The gas would be taken ashore via pipelines and after processing would flow into the existing regional gas transmission pipeline network. Oil would be treated, as now, at the offshore storage and treatment vessel and loaded there onto tankers of approximately 60,000 DWT for shipment to refineries on the west coast or on the Gulf of Mexico (Science Applications Inc., 1984). Approximately 75 tankers would call at the site in the peak year of production, which is estimated to be 1990, while the average number will be about 30 per year.

Under the so-called "Option B" alternative oil production would increase from the present 40,000 barrels per day to a level of 140,000 barrels per day. Gas production would rise from the present 30 million cubic feet per day to 135 million cubic feet per day. The offshore storage and treatment vessel would be removed and the oil and gas would be piped ashore for treatment and storage. Treated oil would be loaded onto tankers at a single anchor leg mooring located one mile offshore. Tankers in this alternative, like the Option A alternative, would be of about 60,000 DWT. Because of the larger storage capacity of the onshore facility, tankers could be loaded in one day instead of the three days required at the offshore storage and treatment vessel.

While ordinarily onshore treatment and storage of offshore crude oil is preferred to offshore storage and treatment, primarily because the potential for marine oil spills is substantially reduced and it is more economically advantageous to the producer, in this instance the environmental impact analysis showed that the offshore is environmentally preferable. Several factors figured in this conclusion, including the increased through-put of oil and gas in Option B, extensive land disturbance for new onshore facilities, and continued tanker transportation of crude oil (Science Applications Inc. 1984).

Elsewhere in the Santa Barbara Channel, ARCO's proposed two-platform complexes in the Coal Oil Point Field near Santa Barbara will result in substantial increases in the amount of crude oil and gas produced in that area. ARCO proposes to expand its Ellwood onshore facility to accommodate the increased production rate of about 70,000 barrels of oil per day (ARCO, 1983). The fate of treated oil is uncertain at the present time. It will either be delivered to a marine terminal by pipeline for tanker shipment out of the area, or it will be placed into existing pipelines for transport out of Santa Barbara to refineries. Production of oil and gas from these facilities is expected to continue from 1987 to 2006.

The Getty Trading and Transportation Company has proposed to construct a consolidated facility at Gaviota in the western end of the Channel (Getty, 1983). This facility would include a marine terminal with an average through-put of 300,000 barrels of oil per day, a supply and crew base, crude oil storage facilities of about 2 million barrels capacity, a pipeline from Gaviota over a course of over 110 miles to the San Joaquin Valley refineries and pipelines, and an onshore treatment facility. The proposed marine terminal would have the capability of simultaneously handling two deep draft tankers of 30,000 to 300,000 DWT. The Getty facility is intended to support oil and gas operations in both the western Santa Barbara Channel and the Santa Maria Basin.

In other Santa Barbara Channel area projects, Aminoil proposes to triple the capacity of the Ellwood terminal to 70,000 barrels of oil per day (Aminoil, 1983). Another marine terminal is proposed for Las Flores Canyon, with two single anchor leg moorings for tankers of 26,000 to 300,000 DWT (Las Flores Terminal Design Project, 1983).

In the Point Arguello and Santa Maria Basin region, two proposed projects will contribute to the transportation needs of the area in and near the sea otter range. Chevron and Texaco propose consolidated onshore processing facilities to accommodate development of the Point Arguello field (Chevron, 1983). This would involve piping crude oil ashore to a landfall just north of Point Conception. An onshore pipeline would carry the oil to a marine terminal on land leased from Getty at Gaviota. Treated crude will be shipped from there by either tanker, or more likely, pipeline. In the event Getty's proposals for facilities at Gaviota are unsuccessful, an additional pipeline may be needed to transfer the oil on to Las Flores. Farther to the north in the Santa Maria Basin, Union proposes to pipe its oil ashore at a point between Point Pedernales and Surf and then continue the pipeline inland to its existing facilities at Lompoc (Union, 1983). Existing pipelines will carry the treated oil to refineries.

The boom presently underway in the Santa Barbara Channel and the Santa Maria Basin means that much more oil will soon be transported out of the area in and near the sea otter range (Petroleum Transportation Committee, 1982). From an annual level of 10.1 million barrels of oil in 1980, production rose in 1981 to 18.2 million barrels, an increase in a single year of 80 percent. By 1985 production is expected to be about 27 million barrels, peaking at about 144 million barrels in the Channel and Point Arguello by 1992-1994. Santa Maria basin development could add another 85 million barrels a year to this figure. To the extent that tankers are used to transport this oil, and to the extent those tankers go to the north, the risk of oil spills in and near the sea otter range will increase concomitantly.

Other Transportation

The transport of crude oil originating from offshore wells is only one part of the overall picture of oil transportation along the central California coast. Transport of oil, including crude oil to refineries, refined products to consumers, and bunker fuel in all vessels, is the largest source of oil pollution in U.S. Waters (U.S. Coast Guard, 1983). In 1982, vessels accounted for 1,800 polluting incidents nationwide, 26.7 percent of the total number of incidents reported to or discovered by the Coast Guard (U.S. Coast Guard, 1983). Importantly, while these incidents amounted to only a little over a quarter of the total number of incidents, they make up 73.9 percent of the total volume of oil reported spilled, about 11.4 million gallons (about 270,000 barrels) out of the total 15.5 million gallons nationwide (about 369,000 barrels) (U.S. Coast Guard, 1983). In contrast, offshore production accounted for ten percent of the oil spill incidents reported, but only 0.5 percent of the volume spilled. While Coast Guard data are available for spills in the sea otter range, these data do not show the source of the spills in enough instances to produce meaningful information for the spill situation on the central coast. Coast Guard figures indicate, however, that in 1982 there were 439 oil spills in California with a total of about 42,000 gallons of oil being spilled (U.S. Coast Guard, 1983). Most of these spills are likely to have occurred in river channels or harbors, and not on the open sea if California follows the national pattern (21.6% of all spills in rivers, 56.4% in harbors, 3.7% at sea) (U.S. Coast Guard, 1983).

No figures are available to show the total number of ships transiting the central California coast. Figures are available, however, for the number of tankers calling at various ports in and near this area. While these figures do not necessarily reflect the volume of coastwise tanker traffic, they do give some indication of the number of tankers using the area in and near the present sea otter range. These figures are set out in detail in Tinney (1983), and include 29 tanker trips to moorings in the area in 1981 carrying refined products (to Pacific Gas & Electric facilities at Morro Bay and Moss Landing), 2,373 tanker trips to San Francisco and Los Angeles in 1982, and 200 tanker trips to Estero Bay, Port San Luis, and Morro Bay.

Oil on Land

In addition to the transportation and production of crude oil and refined products, sea otters face possible oil-related threats from various oil facilities on land. Some 17.2 percent of oil spill incidents, 14.4 percent of oil spill volume, were from land vehicles, facilities, and production nationwide in 1982 (U.S. Coast Guard, 1983). Many of these spills were due to such causes as structural failures (55.2 percent of the total volume), pipeline ruptures (9.5 percent), and valve failures (1.3 percent). In the area of the sea otter range are several potential on-land sources of oil spills including the storage tanks at the Pacific Gas and Electric facilities at Moss Landing and Morro Bay. The Moss Landing facility has nineteen storage tanks with a total capacity of 5,965,000 barrels. Nine tanks at Morro Bay have a total capacity of 1,836,000 barrels (Tinney, 1983).

Additional storage facilities in the present otter range include Chevron's crude oil facilities at Estero Bay and Union Oil Company of California's facility at Port San Luis. In addition, both the Navy and Texaco operate facilities at Morro Bay for the receipt of refined products.

All of these facilities, and numerous other small facilities such as storage tanks for retail sale of petroleum products at marinas, have the potential to be involved in oil spills which ultimately could affect sea otters. This potential is heightened by the seismic activity of the coastal areas adjacent to the sea otter range. The potential is lessened by the availability of oil spill containment and cleanup equipment both at the major onshore coastal petroleum storage facilities and at the offshore oil exploration and development facilities.

III. OTTERS AND OIL

One of the longest running controversies in the return of the California population of sea otters from near-extinction has been the relationship between otters and oil. The 1977 rulemaking which established the southern population of the sea otter as "threatened" under the Endangered Species Act (ESA), described the "most serious potential threat to the species" as a major spill from a tanker in the vicinity of the otter range (U.S. Fish and Wildlife Service, 1977). Since that time, oil has been regarded as a substantial threat to the expansion of this otters' population. This has been reiterated a number of times, including in the Biological Opinion prepared under the ESA regarding leasing and exploration offshore central and northern California (U.S. Fish and Wildlife Service, 1980a), in the Biological Opinion prepared on the expansion of the tanker terminal at Moss Landing (U.S. Fish and Wildlife Service, 1980b), and in the sea otter recovery plan, also prepared under the ESA (U.S. Fish and Wildlife Service, 1982).

Generally these assessments of the oil threat have looked upon hypothermia following fur oiling as the greatest source of concern for oiled otters. Other direct effects, such as pneumonia and the toxic effects of oil ingestion have not been so strongly expressed as concerns. Indirect effects of oil are almost nowhere described as threats to otters, although this may be due to the fact that the effects of hypothermia are regarded as being so devastating, resulting in 100% mortality (U.S. Fish and Wildlife Service, 1982b), that other direct and indirect effects have received little consideration and investigation.

In this part of the report, an initial assessment of both direct and indirect effects of oil on otters is made. Particularly with respect to the indirect effects, this must be regarded as a preliminary and speculative assessment of these possible effects.

Direct Effects

Few if any sea otter deaths in California have been attributed conclusively to oil contamination (Bigham et al., 1983), although circumstantial evidence exists to make such a link, including one dead otter found oiled in late 1983 near Point Serra Nevada at the middle of the sea otter range (Jameson, 1983). Evidence from other species, experimental evidence from otters, and evidence from field work involving otter populations outside of California show that oil is a substantial threat to any sea otter encountering it.

Experimental work and field observations involving mammalian species other than otters has indicated that there are two primary exposure routes, external coating and ingestion. Depending on how an animal is insulated in sea water, external coating may or may not affect the health of the exposed animals. Smith and Geraci (1975) showed that ringed seals, which depend on their blubber for insulation, generally are not adversely affected by completely coating their external surfaces with crude oil (there was some evidence of effects on the animal's eyes). Le Boeuf (1971) determined that the Santa Barbara spill caused no mortality or other deleterious effects in elephant seals, another blubber-insulated species. He noted that there might have been a different result had the spill occurred during the seals' lactation period, when nursing pups probably would have ingested oil coating their mothers' bodies.

In contrast to the blubber-insulated species, species which depend on their fur for insulation may be affected by external coating. Richardson (1979) reported that 11 of 29 river otters found oiled in the "Esso Bernicia" incident in the Shetland Islands were killed as a result of their exposure. Oritsland et al (1981) showed that oiled polar bears had increased thermal conductance across their pelts and increased metabolism, conditions which could lead to hypothermia in field conditions.

The same polar bear study showed effects from oil ingestion up to and including death. Ingestion of oil lead to behavioral abnormalities, including anorexia, and tissue damage. Much of the tissue damage was related to severe dehydration and uremia (an excess of urea in the blood). Acute anemia developed in the bears. Importantly, the toxic effects of the oil ingestion were latent, not becoming pronounced until weeks after the exposure.

Of particular interest with regard to the polar bears was that they ingested the oil while orally grooming themselves. Another avenue of ingestion is the consumption of food coated with oil. For example, 50 sheep were killed as a result of grazing on oiled seaweeds in Scotland (Richardson, 1979).

As for sea otters, Barabash-Nikiforov et al. (1968) cited an instance of a spill of gasoline and diesel fuel that occured in 1964 at Paramushir Island at the northern end of the Kurile chain. In this incident over 100 sea otters died, apparently as a result of hypothermia due to oil contamination.

Studies with captive otters confirm their susceptibility to oil-induced hypothermia. Oiling of 20 percent of the fur area of sea otters in laboratory experiments resulted in a more than 40 percent increase in metabolic rate (Costa and Kooyman, 1982). Oiling of 50 percent or more of otters' fur results in death from hypothermia (Siniff et al. 1982; Costa and Kooyman, 1982).

Direct effects other than oil-induced hypothermia also have been demonstrated in the laboratory. Pneumonia induced by oiling has resulted in the death of otters (Costa and Kooyman, 1982; Kooyman and Costa, 1979). Like death from hypothermia, pneumonia results from the loss of the insulating qualities of the otters' fur and subsequent inability to maintain adequate body temperature. Possibly fatal toxic effects of oil have also been suggested but not demonstrated (Siniff, et al., 1982). The observed practice of otters to orally groom themselves after oil contamination of their fur (Williams, 1978) makes this possible source of otter mortality or sublethal weakening a matter meriting additional concern.

Another possible direct spill effect which has not been explored is the effect of exposure of otters to oil incorporated into the benthic sediments of their foraging areas. Potentially this could leave otters exposed to a spill for a matter of months or even years.

Part of the unrecovered oil from a spill frequently is incorporated into the intertidal and subtidal sediments of the spill area. This phenomenon was well documented in the Amoco Cadiz spill. Of the 223,000 metric tons of crude oil initially spilled, some 18,000 tons (8 percent) were deposited in subtidal sediments (Gundlach et al., 1983).

Oil residence in sediments lasts on the order of months in relatively high energy areas (i.e. areas exposed to the direct force of ocean waves). The spill occurred in March, 1978, and by July-August, 1978, oil content in high energy areas had dropped by about three-fourths. A year later, oil content was down by ninety percent, and was at background levels after another year.

In contrast, low energy areas such as sheltered bays and estuaries showed high oil concentrations three years after the spill. Some of these sheltered areas experienced little microbial degradation of the oil, a fact attributed to the anoxic condition of sediments at these locations. Anaerobic biodegradation is estimated to occur at a rate one-fortieth to one-three-hundredth that of aerobic biodegradation (Gundlach et al., 1983).

Other spill locations also show prolonged oil residence in sediments. Number 2 fuel oil spilled at West Falmouth, Massachusetts in 1969 was present in concentrations high enough (i.e., over 1000 ppm) to be directly toxic to adult fiddler crabs seven years after the spill (Krebs and Burns, 1977). It persisted for at least ten years in marsh habitats (Connor, 1979). In Chedabucto Bay, Nova Scotia, spilled oil persisted for at least six years (Keizer et al., 1978). Five years after the 1967 Torrey Canyon spill, oil was still prevalent in benthic sediments (Southward and Southward, 1978). In moderate energy areas of the Strait of Magellan which were oiled in the 1974 Metula supertanker spill, oil persisted for at least 6.5 years, and in low energy areas was expected to persist for more than 100 years (Gundlach et al., 1980).

The prolonged residence of spilled oil in marine sediments means that oil incorporated into sediments would possibly continue to pose a threat to bottom-feeding sea otters through contact or ingestion for periods of months or years after a spill incident occurs. That otters regularly forage in sediments is well documented.

Researchers have observed sea otters digging in soft bottom sediments to obtain clams and other food items. Shimek (1977) reported sea otters digging out subtidal echiuroid worms in Alaska. Alaskan otters also have been reported (Calkins, 1968) to dig out clams from subtidal and intertidal waters.

Hines and Loughlin (1980) reported observations of a sea otter digging for clams in Monterey Bay, California. The otter dug in the silty sand "in a fashion very much like a dog." The otter faced into the current in a head-down attitude and dug rapidly with both front paws. The otter's back flippers also were utilized, partly to hold position in the current and partly to assist with the digging.

The hole dug by the otter on its first dive was about 1 meter long, 0.5 meters across, and 25 centimenters deep. The first dive lasted 45 seconds. The length of the second dive was unreported. At the end of the second dive the otter began to enlarge the up-current end of the hole by rolling from side to side and continuing to dig with the front paws. Upon encountering a clam, the otter took it to the surface and ate it. The otter made a series of subsequent dives to the same hole, continuing the process of enlarging the hole until a clam was encountered and then surfacing to eat it. Eventually the hole was 1.5 meters long, 0.5 meters deep, and 0.5 meters wide. During the later dives the otter's body was completely in the hole and beneath the level of the substrate surface.

The authors of the report on the Monterey Bay otter cite an observation that the bottom topography of the area was smooth prior to the return of the sea otters to the Bay. After their return the bottom was described as "hummocky" (Hines and Loughlin, 1980). This indicates that the otters extensively rework the bottom sediments to a depth of at least half a meter.

The otters' practice of relatively deep digging for clams in soft bottom areas may substantially increase their exposure to any oil or other deleterious substance buried or incorporated in the sediments.

Indirect Effects

In addition to being affected directly by an oil spill, otters may be indirectly affected as well. Specifically, their habitat may be directly and deleteriously affected in such a way that the effects indirectly accrue to the otters.

One of the most obvious ways this could occur is by an oil spill reducing or eliminating preferred food items. This could result in starvation, movement to adjacent areas already occupied by sea otters or to areas of marginal suitability, susceptibility to infection and disease, and death.

In the years since the rediscovery of the sea otter in California, researchers have frequently investigated the identity of prey items making up the sea otters' diet. While most published accounts of prey have focused on otters found in the Monterey area (e.g. Hall and Schaller, 1964; Boolootian, 1965; Hines and Loughlin, 1980), other accounts touch on such areas as Pico Creek (Ebert, 1968), Lopez Point, Cambria, and Point Lobos (Vandevere, 1969), and Diablo Canyon (Benech, 1979).

The prey items identified in these studies are tabulated in Table 2. In order to include the results of as many studies as possible it was necessary to use broad classifications, such as "clams" rather than specific names. The range of items listed in Table 2 is quite broad and clearly shows the opportunistic feeding habits of sea otters.

Despite the wide variety of prey in the sea otter diet, several of the items are obviously of great importance. Based on the information and reports presented in Table 2, these more important food items are:

- Crabs
- Clams
- Mussels
- Chitons
- Abalones
- Sea Urchins
- Turban Snails

Given the importance of these prey to sea otters, the effects of possible oil spills on otter prey takes on a significance of its own. Sea otters need to eat about 25 percent of their body weight each day (Kenyon, 1968). Thus, if their food supply is affected, it is possible that this would stress the otters to such an extent that their survival would be doubtful or they would move elsewhere.

In order to evaluate such a notion it is necessary to examine the response of the key prey items to oil. Also of interest would be the prey items' response to oil dispersants, chemicals sometimes used in cleaning up oil spills. An examination of the literature shows that the responses of most of these key prey items have been tested, in some cases in controlled laboratory experiments, and in other cases in actual oil spills in the environment. It is useful to summarize these findings for each prey item. This is done in the following paragraphs.

A. Crabs

Otters regularly eat a variety of crabs, including *Cancer* species (*C. antennarius*, *C. magister*, and *C. productus*) and kelp crabs (*Pugettia* spp.) (Woodhouse et al., 1977). At least ten species of crabs are found in the sea otter diet.

Crabs are generally regarded as being highly susceptible to the toxic effects of crude oil and its derivatives at all stages of their lives. For example, *Cancer* crab larvae are affected by the water soluble fractions of both crude oil and No.2 fuel oil (Caldwell et al., 1977; Johns and Pechenik, 1980). Johns and Pechenik (1980) found that larvae of *Cancer erroratus*, when exposed to the water soluble fraction of No. 2 fuel oil, had lowered survival rates to the megalop stage, reduced food consumption and growth rate, and increased metabolic cost of maintenance. *C. anthonyi* crabs were killed by the spill following the explosion of the tanker *Sansinena* in Los Angeles harbor in 1976 (Soule and Oguri, 1978).

The blue crab, *Callinectes sapidus*, an Atlantic Ocean species, can detect the water soluble fraction of crude oil at the concentration of 0.000002 mg per liter. Upon detecting the oil the crabs change their antennular orientation, increase their antennular flicking rate, and begin a rhythmic beating of their maxillipedal flagellae (Pearson et al., 1981).

Fiddler crabs, *Uca pugnax*, an Atlantic species of a genus also represented in the Pacific Coast, are highly susceptible to oil. After an accidental spill they experienced direct adult mortality, reduced density, reduced male to female ratio, reduced juvenile settlement, heavy over-winter mortality, and behavioral disorders (Krebs and Burns, 1978). Among the behavior changes seen in fiddler crabs are molting at the wrong time of the year and exhibiting breeding coloration at the wrong time (Sanders et al., 1981).

The implication of these findings for sea otters is that a major spill, particularly one trapped in kelp or incorporated into bottom sediments, may substantially affect the crabs in the spill area.

B. Clams

Like crabs, clams are strongly affected by crude oil and refined products. Sanders et al. (1981), for example, observed that the barge Florida oil spill at Buzzards Bay killed large numbers of clams. The clams of most significance to sea otters in California are the Pismo clam, Tivela stultorum (Stephenson, 1977), the Washington clam, Saxidomus nuttali, and the gaper clam, Tresus nuttali (Hines and Loughlin, 1980).

Various species of clams are affected by oil in various ways. Transplanted to the west coast and now commercially important there, soft-shelled clams, Mya arenaria, an east coast species, exposed to bunker C oil in sediments after a spill, was found to be significantly affected compared to clams in a nearby unoiled area, with fewer adults, a one to two year lag in tissue growth, a lower shell growth rate, and reduced carbon flux (Gilfillan and Vandermeulen, 1978). These authors observed that the recovery potential of the clams was low for oiled sediments, with the study population remaining stressed for at least six years after the spill. Healthy clams of the same species were shown by Dow (1975) to have a survival rate of 12.8 percent when transplanted to a spill site contaminated with 4000 ppm of oil in the sediments, compared to 78.1 percent survival rate in a control area. Growth was also reduced by 65 percent.

Hard clams, Mercinaria mercinaria, are also affected by oiled sediments. Olla et al. (1983) found that the clams burrowed less deeply into the sediments and at a slower rate. This echoed the conclusions of Pearson et al. (1981) who determined that littleneck clams, Protothaca staminea, buried themselves slowly and shallowly in oiled sand. They further determined that this made the clams more accessible to predators such as the dungeness crab. Pismo clams were reported killed in the Tampico Maru spill of 1957, but the exact cause of the deaths was not mentioned (North et al., 1965).

The use of the dispersants increases the deleterious effects of oil on clams. Littleneck clams had their siphon activities impaired and their behavior was abnormal at dispersant concentrations of 100 ppm and at 1000 ppm oil or oil and dispersant (Hartwick et al., 1982). Larval settlement was impaired with the oil and dispersant mix. The dispersant was found to increase the oil's depth penetration and residence in the sediments. Avolizi and Nuwayhid (1974) found both lethal and sublethal effects on the clams, Donax trunculus, from dispersants, oil, and a mixture of the two. Interestingly, both the Hartwick et al., and the Avolizi and Nuwayhid studies found that the mixture of oil and dispersant was more toxic than either the oil or the dispersant alone.

C. Mussels

Two species of mussel, Mytilus edulis and M. californianus are known to be in the sea otter diet (Woodhouse et al., 1977). Mussels, especially M. edulis, are well-known indicators of pollution. Environmental conditions measurably affect the physiological characteristics of mussels including their clearance rate, absorption effeciency, respiration, excretion rate, O:N and scope for growth (Widdows et al. 1984). They are known to rapidly take up hydrocarbons and store them with little breakdown, rapidly releasing them upon exposure to clean water (Goldberg, 1975). Dixon (1982) has shown that a population of mussels exposed to chronic aromatic hydrocarbon pollution had over three times more chromosomal abnormalities than a population from a relatively unpolluted location.

Mussels, M. edulis, were reportedly killed in the Sansinena spill (Soule and Oguri, 1978). Both toxic effects and smothering were cited as causes. Straughan (1971) reported that M. californianus had a reduced breeding rate after the Santa Barbara spill in populations which were exposed primarily to the chemical rather than the physical effects of the oil. North et al (1965) reported that large numbers of mussels were killed in the 1957 Tampico Maru incident in Baja California. Smith (1968) reported that despite heavy oiling, most mussels survived the Torrey Canyon spill until they were killed by detergents used to clean the intertidal rocks of the spilled oil. Chan (1973) reported no mass mortalities of mussels from the San Francisco oil spill despite his expectations to the contrary. Chan (1974) attributes this to the mussels' ability to avoid oiling by keeping their shells closed. Kanter (1974) adds support to this idea, noting that the avoidance behavior is significant for survival.

Conner (1979) reported that mussels involved with the West Falmouth oil spill were emaciated and in poor reproductive condition.

D. Chitons

Chitons, Cryptochiton stelleri and Ischnochiton spp. are known to be part of the sea otter diet (Woodhouse et al., 1977). What little evidence there is on the effects of oil on chitons indicates that chitons are not adversely affected by oil. After the Santa Barbara spill chitons frequently were seen with heavily oiled shells, but no dead individuals were noted (Foster et al., 1970). The chitons may have been grazing on the oil coating the intertidal rocks.

E. Abalones

Otters eat several abalones, including *Haliotis cracherodii* (black abalone), *H. rufescens* (red abalone), and *H. walallensis* (Woodhouse et al., 1977). The effects of oil on abalones are not well known. *H. cracherodii* were seen with their shells coated with oil after the Santa Barbara spill, but the animals themselves were apparently healthy (Calif. Dept. Fish & Game, 1969). Abalones in large numbers were seen dead, however, after the *Tampico Maru* spill in Mexico, (North et al., 1965). These mortalities, described as "heaps" of dead abalone and other shellfish, may have been a result of the concentration of oil in that spill. The cove where the deaths occurred measured about 100m by 100m, with three-quarters of its entrance blocked by the grounded ship. About a third of the ship's cargo of 59,000 barrels of diesel fuel was released at the grounding, with the rest spilling as the ship broke up over the following eight months.

F. Sea Urchins

Two species of sea urchins, *Strongylocentrotus purpuratus* (purple sea urchin) and *S. franciscanus* (red sea urchin) are found in the sea otter diet (Woodhouse et al., 1977). The effects of oil on sea urchins, as on other echinoderms, are substantial. After the 1957 *Tampico Maru* incident in Baja California, immediate mortalities of echinoderms were quite high, with the numbers of individuals being noticably depressed seven years after the spill (North et al. 1965). Sea urchins, especially, were affected.

Allen (1971) tested the effects of petroleum on the early development of purple sea urchins, *Strongylocentrotus purpuratus*. She found that the water soluble fractions of crude oil and of various refined products had little effect on the ability of sperm to fertilize urchin eggs, but that these fractions were highly toxic to the developing eggs to the point of totally arresting cleavage. She found that less highly refined products had the greatest toxic effects.

Hose and Puffer (1983) found that benzo(a)pyrene, a highly volatile aromatic hydrocarbon found in petroleum (Clark and Brown, 1977), produced abnormal urchin sperm, lower fertilization in exposed eggs, and gastrulae from treated sperm that were abnormal and considered moribund.

Axiak and Saliba (1981), using the urchin *Paracentrotus lividus*, found that individuals ingesting sunken crude oil (oil weighted with powders or slurries of materials such as limestone) had mortalities of 50 percent in five days and 90 percent in nine days. Sinking agents alone have been found to be non-toxic (Blackman, 1974). Contact with the sunken crude leads to an appearance of narcotization and decreased adhesion of tube feet to the substrate.

Wells and Keizer (1975) found that exposure to 250 micrograms per liter of an oil dispersant was fatal to 50 percent of green sea urchins, Strongylocentiotus droebachieusis, after four days.

G. Turban Snails

Turban snails, Tegula spp., are common along the Pacific coast from Alaska to Baja, California (Ricketts et al., 1968). Four species are known from central California, T. brunnea, T. funebralis, T. montereyi, and T. pulligo. The first and third of these are eaten by the sea otter (Woodhouse et al., 1977).

Turban snails are highly mobile, strong and tough (Ricketts et al., 1968). T. funebralis, the black turban snail, is generally found in the middle intertidal zone, while T. brunnea, the brown turban snail, and T. montereyi are found in the low intertidal and on offshore kelp beds (Smith and Carlton, 1975).

The available literature on the oil tolerance of Tegula seems to be limited to T. funebralis. This literature, however, is somewhat contradictory. Chan (1974) reported a decline in density of turban snails in transects of Duxbury reef, near San Francisco, that were affected by the 1971 Golden Gate tanker collision and oil spill. Densities dropped from an average of 40.6 per square meter five months before the spill to 15.5 per square meter three months after the spill. Densities quickly built back up to levels comparable to pre-spill levels. Chan (1974) attributed the temporary drop in density at least in part to the oil spill.

Earlier, Chan (1973) reported that a four week exposure of 26 black turban snails to Bunker C oil in laboratory tidal tanks resulted in no mortality. Thus these turban snails appear to be quite hardy and able to survive an oil spill.

Table 2: Items in Southern Sea Otter Diet as Reported by Various Authors for Various Locations, Percent of Total by Number

Item	Monterey (Fisher, 1939)	Monterey (Hall and Schaller, 1964)	Monterey (Boolootian, 1965)	Pico Creek (Ebert, 1968)	Lopez Point (Vandevere, 1969)	Cambria (Vandevere, 1969)	Point Lobos (Vandevere, 1969)	Various (Vandevere, 1969)	Diablo Canyon (Benech, 1979)	Monterey (Hines and Loughlin, 1980)
Seaweeds	tr.	0.2	—	1.2	—	—	—	—	—	—
Spiny lobster	—	0.6	0.1	—	—	—	—	—	—	—
Crabs	common	14.5	0.8	25.9	12	11.8	12.0	—	16	7.5
Clams	—	—	—	2.5	—	—	—	0.5	—	88.6
Mussels	—	40.0	33.8	0.8	24	—	—	8	—	—
Scallops	—	—	—	2.1	—	—	—	0.5	—	—
Chitons	—	0.8	0.2	0.4	—	—	—	13	—	—
Abalones	dominant	9.9	8.2	63.4	25	88.2	5.1	19	54	—
Octopus	—	0.4	0.1	—	—	—	—	—	—	—
Sea urchin	common	32.8	56.4	—	—	—	—	—	—	—
Starfish	—	0.6	0.2	—	—	—	—	—	—	—
Fish	—	0.2	0.1	—	—	—	—	—	—	—
Turban snails	—	—	—	—	—	—	63.9	57	—	—
Squid	—	—	—	—	—	—	—	1	—	—
Rock jingle	—	—	—	—	—	—	—	—	—	1.4
Other	—	—	—	3.7	—	—	—	—	30(a)	2.4
Totals	—	100.0	99.9	100.0	61	100.0	81.0	99	100	99.9

(a) Includes turban snails, urchins, and mussels.

IV. OIL SPILL CONTROL AND MITIGATION

Given the large and growing amount of oil produced from and transported through the areas in and near the sea otter range in California, together with the prospect of the loss of many otters should a spill occur in that vicinity, the question is naturally raised about what can be done to lessen the risks and effects of oil on otters. Three possible approaches present themselves:

- Oil spill prevention;
- Oil spill containment and clean-up; and
- Otter control and rehabilitation

Each of these is evaluated in this section of the report. As will be shown, each has a different likelihood of success and contribution to the effort to lessen the effects of offshore oil development and transportation on the otters.

Oil Spill Prevention

Obviously, the best way to control oil spills is to not have them. Through technological means, careful drilling and transportation actions, and training, it is possible to reduce spill likelihood. Experience has shown that improved technology, operating procedures, and safety measures have reduced spill frequency substantially over the years (Bigham et al. 1983). Lanfear and Amstutz (1983), in their reassessment of oil spill occurrence rates, found substantially reduced spill rates over time, for platform spills, tanker spills, and pipeline spills in most cases. These spill rates and the expected rates for the California offshore are discussed in an earlier report (Tinney, 1983).

Oil Spill Containment and Cleanup

Despite improvements in oil spill prevention, some oil spills continue to occur. Because they do, some means of containment is necessary, and once they are contained, some means of cleaning up is needed. As in oil spill prevention, substantial advances have been made over the years. Importantly, the existence of oil and gas operations on the California coast may have made conditions safer for otters since the containment and cleanup systems established for offshore oil operations are available for use on all spills, whatever the source. Thus the ability to respond to spills from vessels, the greatest threat to otters, has been enhanced.

Success in containment and cleanup is a function of readiness, in that planning and preparedness can shorten response time and increase effectiveness. Thus, the quality of oil spill contingency plans and oil spill response technology are important in evaluating the chances for reducing oil spill impacts on sea otters. Several levels of organizations, from national federal agencies to individual oil companies, have oil spill contingency plans which apply to the area in and near the sea otter range. These plans are described below.

A. U.S. Coast Guard

Pursuant to the Clean Water Act and the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, a multi-agency National Oil and Hazardous Substance Pollution Contingency Plan was developed and promulgated on July 16, 1982 as 40 CFR Part 300. The national plan applies to the navigable waters of the U.S., the contiguous zone, and the high seas in connection with OCS activities. The plan is intended to provide for efficient, coordinated and effective response to discharges of oil and other hazardous substances.

The plan establishes the National Response Team (NRT) which consists of representatives of twelve federal agencies with duties relevant to spill response. The NRT is responsible for national planning and coordination. It also evaluates methods of responding to spills, recommends training, equiping, and protection criteria for response teams, maintains the national state of readiness for response actions, and reviews regional response to spills, among other duties.

The plan also establishes Regional Response Teams (RRT), which are made up of regional representatives of the same agencies making up the NRT, plus state and local governmental representatives. The RRT serves as the regional body for planning and preparedness, and as coordinator and advisor during spills. In addition, the plan sets up a National Strike Force consisting of three Strike Teams (one each for the Pacific, Atlantic, and Gulf coasts). The Strike Teams are intended to provide communication support, containment, and removal.

The national plan requires the development of regional and local contingency plans. The regional plans are to be developed by the RRTs and include information on all useful facilities and resources in the region. Local contingency plans are to provide for well-coordinated spill response integrated and compatible with state and local pollution response, fire, emergency, and disaster plans. They are to identify probable locations of discharges, available resources, and waste disposal methods and facilities.

In the area of the sea otter range the RRT for Standard Region IX has prepared a Regional Contingency Plan. The U.S. Coast Guard's San Francisco Bay Marine Safety Office has prepared an Oil and Hazardous Substance Contingency Plan which is the local plan for the area north of the Santa Maria River in California. This encompasses the generally recognized scope of the sea otter range.

The local plan divides the area of responsibility into three areas: San Francisco Bay, the Northern Area (Fort Bragg to the Oregon border), and the Southern Area (Pigeon Point to the Santa Maria River). The Southern Area includes all of the sea otter's present range in California. The local plan identifies several locations of oil transportation based on type:

- Crude oil - Morro Bay and Avila Beach;
- JP-5 (jet fuel) - Morro Bay;
- Number 6 fuel oil - Morro Bay and Moss Landing; and
- Refined gasolines - Avila Beach.

The local plan also identifies hydrological and meteorological factors affecting oil spill response. In the south area, circulation and meteorology of Monterey Bay and Estero Bay are described. Further, it identifies critical areas to be protected, including in the South Area Monterey Bay/Elkhorn Slough and Morro Bay/Estero Bay, and how and where these areas are to be boomed to keep oil out of harbors or important natural areas (e.g. Elkhorn Slough and inner harbor areas).

Formalized Memoranda of Understanding have been entered into between the U.S. Coast Guard and various other agencies to deal with special matters. One MOU allows the U.S. Fish and Wildlife Service to provide its specialized expertise regarding birds, marine mammals, and endangered species.

The local plan makes no explicit mention of sea otters, nor does it contain any description of actions to be taken in the event sea otters are threatened by a spill. Likewise, it presents no information on otter herding, capture, cleaning, or rehabilitation, or on any organizations or facilities with the capability of handling oiled otters, although it does mention the International Bird Rescue and Research Center regarding bird cleaning. In this regard, from the standpoint of sea otter conservation and protection, the local plan is seriously flawed. The local plan does contain apparently adequate descriptions of general oil spill response.

B. Department of Fish and Game

The California Department of Fish and Game (CDF&G) prepared an oil spill contingency plan in 1974. It has been described as being now out-of-date regarding the cleaning and rehabilitation of oiled otters (Simons, pers. comm.). At present, the 1974 plan is being revised, an undertaking expected to be complete in the near future (Gullett, pers. comm.). The revision is intended to incorporate state-of-the-art information on the cleaning and care of otters after they are oiled. Since the 1974 plan is obsolete, and the new plan is yet to be issued, neither is discussed here.

C. Oil Spill Cooperatives

Two oil spill cooperatives, non-governmental organizations established to provide oil spill response for their industrial members, operate in and near the sea otter range. To the north, Clean Bay is responsible for the San Francisco Bay and nearby areas. Its open ocean capabilities are extremely limited. To the south, including Santa Barbara Channel and the coast north of Point Conception as far as Cape San Martin, Clean Seas is the responsible cooperative. Because Clean Bay is not intended to respond to open ocean spills, and therefore is not expected to respond to spills threatening sea otters, only Clean Seas will be described here.

Clean Seas has an extensive oil spill cleanup manual (Clean Seas, 1983). It provides descriptions and procedures for oil spill containment, protection, cleanup, and disposal. It describes specific procedures for spill containment at a drilling platform or a vessel, including containment on open water, on shorelines, and on protected waters. It also describes diversion booming procedures, enclosure booming, exclusion of oil from wetlands, and other procedures.

The Clean Seas cleanup manual also contains instructions on cleanup, with special instructions on cleaning wildlife affected by spills. It has specific instructions for handling otters. It describes capture, transport, and cleaning and rehabilitation techniques based on California Department of Fish and Game's procedures developed for the CDF&G's 1974 oil spill contingency manual. It describes the facilities, materials, and supplies needed for cleaning and rehabilitation.

Clean Seas' oil spill cleanup manual is generally adequate, if a bit optimistic (California Coastal Commission, 1983). With specific reference to the sea otter, however, it is out-dated and in need of revision. For example, the manual states that while oiling and cleaning may result in the loss of a sea otter's water repellency, complete removal of the contaminating oil and thorough drying of the animal's underfur will restore the water repellency. It has been shown elsewhere, however, that several days are required for the return of water repellency and the fur's insulative value (Kooyman and Costa, 1979). This sort of inaccuracy should be removed so that personnel diligently following the procedures described in the manual do not inadvertantly harm otters they are trying to aid.

D. Oil Companies

Under the provisions of the Outer Continental Shelf Lands Act, oil companies are required to prepare two kinds of documents relating to oil spill mitigation and response. The first is a generalized oil spill and emergency contingency plan for a general area, such as the Santa Maria Basin. Each company operating in the area prepares such a plan. Additionally, companies prepare tract-specific plans of exploration and plans of development which contain oil spill response information.

In the course of this project, four contingency plans for the Santa Maria Basin were examined: those of ARCO (ARCO, 1982), Shell (Shell Oil Co., 1982), Chevron (Chevron U.S.A., 1982), and Getty (Getty Oil Co., 1982). All were basically similar, providing like information on oil spill containment and cleanup. As a general matter, all were adequate in terms of the procedures and practices they describe for spill response, given the state of the art for oil spill containment and cleanup.

In four key aspects, the industry contingency plans can be considered deficient. First, all treat an oil spill as an instantaneous event that then becomes a moving point in their projections of oil spill trajectories. In other words, they do not consider the possibility that a spill may be continuous over a matter of days or months, and they do not consider the diffusion and spreading that a slick undergoes as it ages, nor do they consider tidal forces, longshore drift, or other forces that tend to enlarge the area of coastline affected by a spill. Thus the contingency plans show a single launch point for a spill, a generally straight-line trajectory, and a single impact point on the coast. Experience shows that this is not the way spills behave, as is shown in a later section of this report (See "Range of Exposure").

The second shortcoming is that in the predicted trajectories oil spills are given an initial speed and direction and then assumed to maintain that speed and direction until land is reached or some time period elapses and the spill is somehow ended. This is a methodological problem caused by relying on "predominant wind and current conditions" for the month of the hypothetical spill. The problems inherent in such a methodology are best seen in the ARCO contingency plan which in six of the twelve months shows oil spill trajectories from different launch points crossing each other. Obviously the forces acting on a spill at a particular place and time will not vary according to the point of the spill's origin. Figure 5 shows the most extreme example of this problem, with spill trajectories crossing at almost a ninety degree angle. Similarly, the failure to consider the factors other than wind and current, such as tides and longshore drift, leaves only the smallest areas of the coast affected by hypothetical spills, even where attempts are made to work slick spreading into the model. (Figure 6).

The third problem is the length of time spills are assumed to last. In only two of the total of 96 trajectory simulations in the contingency plans reviewed are the trajectories carried out for more than 72 hours. Moreover, the length of time over which the trajectories are carried out varies without apparent reason from 24 to 72 hours. In some cases it appears that if

Figure 5: Hypothetical Oil Spill Trajectories Showing Intersecting Trajectories

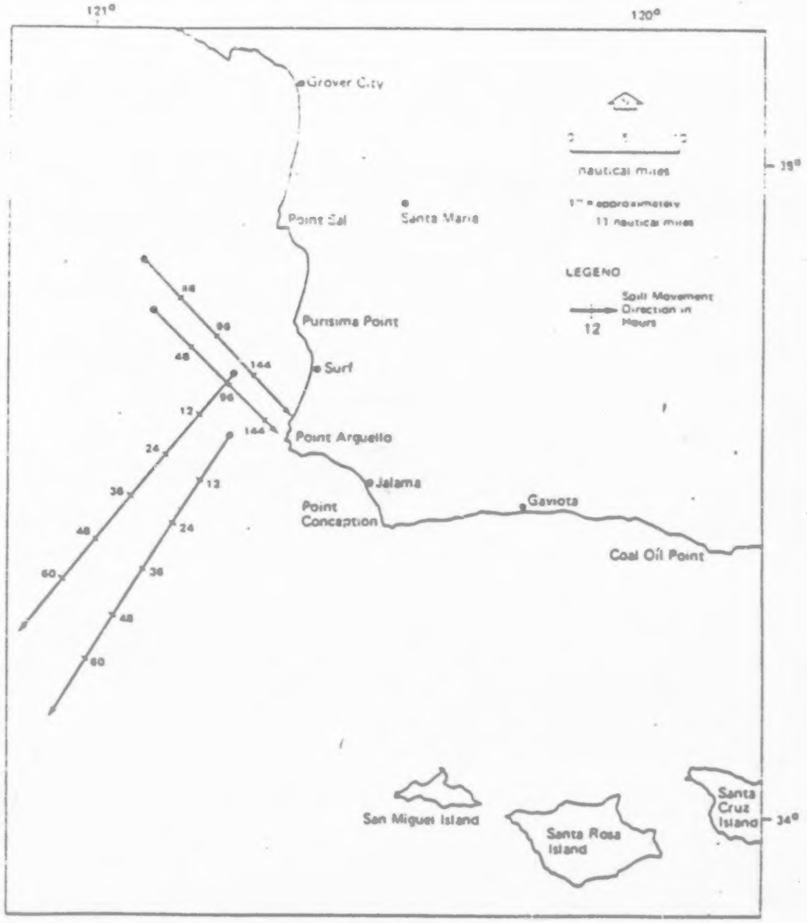

121°
120°
Grover City
0 5 10
nautical miles
35°
Point Sal
Santa Maria
1" = approximately 11 nautical miles
LEGEND
Spill Movement Direction in Hours
12
48
96
144
Purisima Point
Surf
48
96
144
12
24
36
48
60
12
24
36
48
60
Point Arguello
Jalama
Point Conception
Gaviota
Coal Oil Point
San Miguel Island
Santa Rosa Island
Santa Cruz Island
34°

Figure 2-14. PREDICTION OF SPILL MOVEMENT-DECEMBER

Source: ARCO, 1982

Figure 6; Hypothetical Oil Spill Trajectories Showing Slick Spreading

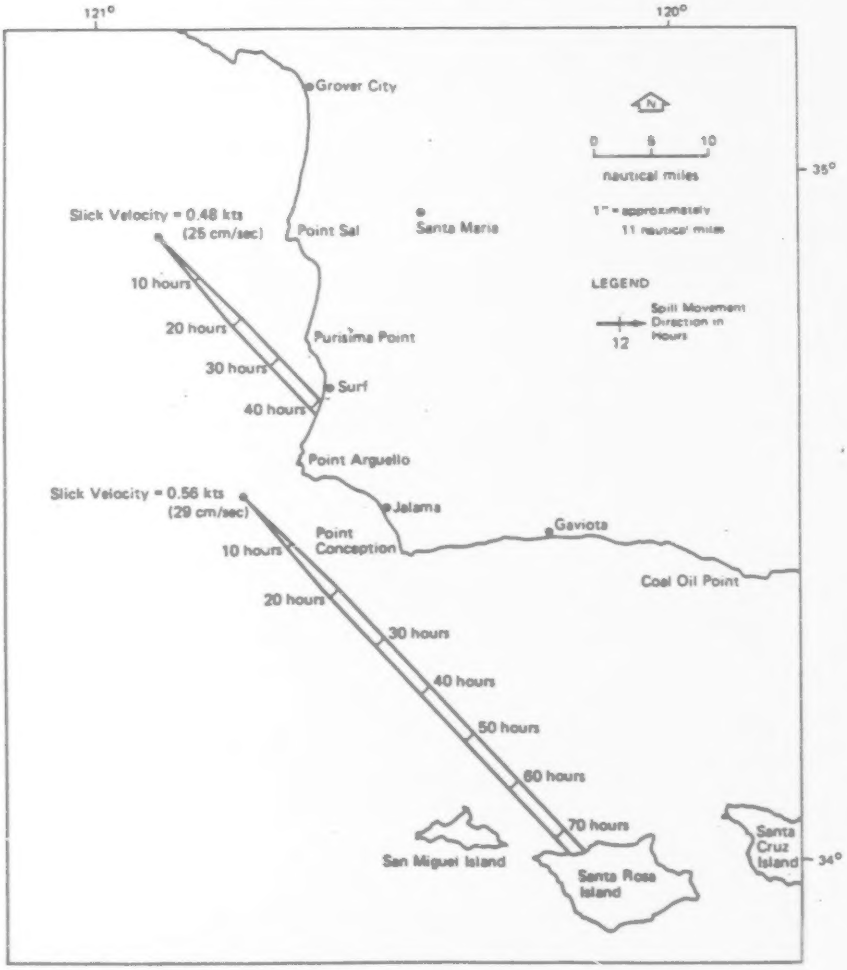

121°
120°
35°
34°
N
0 5 10
nautical miles
1" = approximately 11 nautical miles
LEGEND
12
Spill Movement Direction in Hours
Grover City
Santa Maria
Point Sal
Purisima Point
Surf
Point Arguello
Jalama
Point Conception
Gaviota
Coal Oil Point
San Miguel Island
Santa Rosa Island
Santa Cruz Island
Slick Velocity = 0.48 kts (25 cm/sec)
10 hours
20 hours
30 hours
40 hours
Slick Velocity = 0.56 kts (29 cm/sec)
10 hours
20 hours
30 hours
40 hours
50 hours
60 hours
70 hours

Figure 2-15. SPILL TRAJECTORIES FOR NORTHERN AND SOUTHERN SANTA MARIA BASIN—FEBRUARY· (1,000 BBLS per day)

Source: Chevron, 1982.

some of the trajectories are extended from 24 to 72 hours, they would move ashore. As it is, they terminate short of hitting land.

Getty's contingency plan (and those of other operators who relied on the same contractor) overcomes the fourth problem, that of oversimplifying the possible trajectories in terms of initial direction. While the other contingency plans rely only on the predominant wind and current vectors, the Getty plan uses wind frequency and duration tables, plus some tidal factors, all applied in a random fashion, to develop most-likely trajectories, plus a presentation of all trajectories reaching land based on a sample of 200 trajectory simulations. (Figure 7).

None of the industry contingency plans reviewed contained any procedures or practices for dealing with sea otters. From the point of view of sea otter protection, this can be considered to be an additional shortcoming. This, however may be in the process of being corrected, since the Western Oil and Gas Association is developing an oil spill contingency plan for industry which will describe capture, cleaning, rehabilitation, and release procedures for sea otters affected by oil spills (Chamberlain, pers. comm.).

Regardless of how good the various contingency plans are, they are no better than their implementation. All the plans speak to the use of equipment and supplies to contain and control a spill. They refer to extensive inventories of state-of-the-art booms, skimmers, sorbents, and dispersants.

Containment is used to limit the spread of oil, concentrate it for cleanup, and limit the environmental effects of the spill. Containment is usually accomplished via the erection of floating booms around the source of the spill or in its path. The ability of booms to contain an oil spill is affected by the kind of oil involved and by weather conditions. Generally, complete containment is possible only if wind-driven seas are less than six feet, current forces against the boom are less than one knot, and winds are less than 20 knots (California Coastal Commission, 1983). Similarly, equipment such as oil skimmers are not 100 percent effective in adverse weather conditions. Containment may also be affected by visibility and darkness.

Spill containment and cleanup equipment and materials are available to responding entities from a variety of sources. Under Pacific Region OCS Order No. 7, operators in the OCS are required to have spill control equipment at operating sites or immediately available from nearby locations. Specific quantities or types of equipment are not specified other than "the most effective available" including containment booms, skimmers, and dispersants. Onsite equipment is regarded as useful for only small spills (California Coastal Commission, 1983). Additional equipment for dealing with larger spills is obtainable from the oil spill cooperatives, other operators, the Pacific Strike Team,

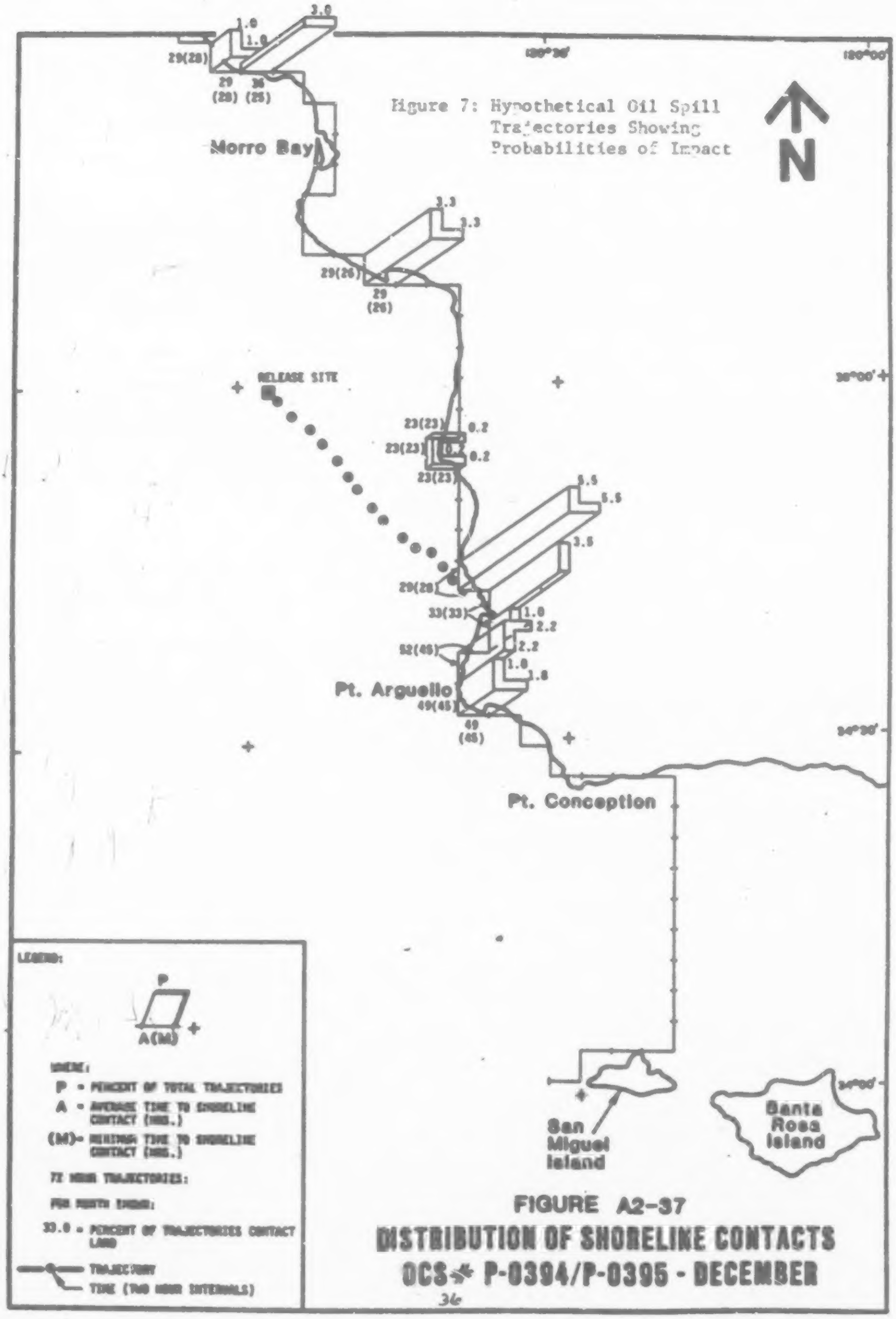

3.0
1.0
1.0
29(28)
29
(28)
36
(25)
120°30'
120°00'
Morro Bay
N
3.3
3.3
29(26)
29
(26)
RELEASE SITE
35°00'
23(23)
0.2
23(23)
0.2
0.2
23(23)
5.5
5.5
3.5
29(28)
33(33)
1.0
2.2
52(45)
2.2
1.0
1.8
Pt. Arguello
49(45)
49
(45)
34°30'
Pt. Conception
San Miguel Island
Santa Rosa Island
34°00'
LEGEND:
P
A(M)
WHERE:
P = PERCENT OF TOTAL TRAJECTORIES
A = AVERAGE TIME TO SHORELINE CONTACT (HRS.)
(M)= MINIMUM TIME TO SHORELINE CONTACT (HRS.)
72 HOUR TRAJECTORIES:
FOR MONTH SHOWN:
33.0 = PERCENT OF TRAJECTORIES CONTACT LAND
TRAJECTORY
TIME (TWO HOUR INTERVALS)

Figure 7: Hypothetical Oil Spill Trajectories Showing Probabilities of Impact

FIGURE A2-37

DISTRIBUTION OF SHORELINE CONTACTS

OCS* P-0394/P-0395 - DECEMBER

36

Dames & Moore

and a long list of contractors. These matters are discussed more fully in Tinney (1983).

The main problem with spill containment equipment is that it is incapable of working on all but small or some medium spills except under the most benign conditions. In central California, for example, weather conditions have been estimated to exceed the capabilities of state-of-the-art containment equipment 60 to 80 percent of the time (California Coastal Commission, 1983). Accordingly, containment and cleanup cannot be depended upon to protect sea otters should a large spill occur.

Otter Control and Rehabilitation

In the event of a large oil spill, it is possible that significant portions of the otter range may be threatened by contamination from the spilled oil. Two actions regarding otters may be necessary in such an eventuality. First, it may be necessary to attempt to herd otters away from affected areas, or at least to deter them from entering the affected areas. Second, should the otters encounter an oil spill it may be necessary to capture, clean, and rehabilitate them. Neither procedure will be easy.

A. Deterrence and Herding

One approach that may be used to minimize the effects of an oil spill on otters is to direct them away from the spill area. This might be accomplished via direct harassment or by some technological means such as acoustics.

Direct harassment by individuals in single small boats has proved unsuccessful (Ames, pers. comm.). Single otters can and do easily outmaneuver and avoid the boats, diving beneath them and generally frustrating efforts to move them in a particular direction.

The California Department of Fish and Game has undertaken an experiment in more systematic herding efforts. This involved the use of several boats, noisemaking machinery, and harassment explosives. The intent was to drive a group of otters for a distance of three miles along the coast, simulating the actions necessary for oil spill avoidance or zonal management. This experiment also failed as the otters outmaneuvered the boats (Ames, pers. comm.).

The use of several boats is similar to the commercial otter hunting techniques used in the 19th century as described by Scammon (1968):

> Sometimes, three boats will hunt together. Then they take positions, one on each side, but in advance of the

> third, and all three in the rear of where the animal is expected to be seen. It is only the practiced eye of the experienced men that can detect the tip of the animal's nose peering above water, and frequently disguised by a leaf of kelp. Occasionally, a large band is met with. Then every exertion is made to keep them within the triangle formed by the boats; and, at such times, a deal of rapid and sharp shooting ensues, and many a bullet sings through the air, or skips over the water, almost as near the pursuers as the animals pursued. However, six, eight, or a dozen Otters are sometimes secured before the main body disperses....

It is interesting to note that as Scammon describes the hunting, even three boats were unable to control a large group of otters. Whether the use of underwater acoustic devices will affect the success of modern control efforts is at present uncertain.

Acoustic deterrence has been tried with a number of marine mammal species in the context of fisheries interactions. Success has varied. For example, Mate et al. (1983) reported success in deterring harbor seals from salmon gill nets with underwater sounds, while Shaughnessy et al. (1981) report no success with a variety of sound sources regarding South African fur seals.

While little direct experimentation has been done regarding acoustics and otters, the prospects for success are not high. Unlike many marine mammals, sea otters are not highly dependent on acoustic signals for prey location, navigation, or other purposes. Moreover, sea otters have shown little or no response to the simulated sounds of offshore oil exploration and production or to the recorded sounds of killer whales, even at distances as small as one-half to one-quarter mile from the source of the sounds (Riedman, 1983).

Packard (1982) has reviewed the use of underwater acoustic devices for influencing the movements of marine mammals, and has suggested possible approaches for their use with sea otters. She noted the possibility of otter habituation to acoustic stimuli, of their merely moving around single sources of stimuli, and of the energy and maintenance requirements of permanently located stimulus sources. She was not especially optimistic about the chances of success in herding otters with boats and acoustic devices, but noted that it may be possible.

B. Capture and Cleaning

Should herding of otters prove to be unsuccessful, or should otters encounter an oil spill before they can be directed away from it, capturing otters may be necessary in order to move them or to make them available for cleaning and rehabilitation. Pastorok and Bigham (1983) reviewed sea otter capture and cleaning techniques, and Packard (1982) examined capturing otters as a means of controlling their movements.

Capturing otters is conceptually easy but will pose some problems in the event of an oil spill. Tangle nets have been used with success by the California Department of Fish and Game and the U.S. Fish and Wildlife Service (Pastorok and Bigham, 1983), but they are hit-or-miss in application and are not likely to result in the capture of all or even most of the otters in the spill area unless techniques can be developed to herd otters into nets or deploy nets more effectively.

Individual otters may be captured by dip nets and diver-operated traps. Both involve high levels of effort for each capture, especially the diver-operated trap, which requires a boat plus one or two divers and an underwater "stalking" period. Oiled otters may not be easily caught by either method in that oiled otters have been observed to spend 75 percent of their time underwater in attempts to groom themselves (Williams, 1978).

It appears that capturing otters to remove them from a spill area may be successful in terms of removing some, but not all, of the otters from harm's way provided that weather and darkness do not prohibit or limit capture operations. This is largely due to the ability of tangle nets to capture otters with relatively low mortalities of one to ten percent (Pastorok and Bigham, 1983). Dip nets or diver-operated traps could be supplemented for the capture of individual otters that do not blunder into the tangle nets.

As for otters actually in an oil slick, the situation is not optimistic. Barabash-Nikiforov (1968) reported otters avoiding some petroleum placed by poachers, so it may be that otters will avoid a spill, although he also reports more than 100 otters dying in a spill. Williams (1978) reports no avoidance behavior in a pair of captive otters. In a slick, tangle nets may not be useful due to fouling with oil or debris. Diver-operated traps may be hindered by reduced visibility. As mentioned above, Williams reports otters spending 75 percent of their time underwater in grooming, a fact that will make their capture by any means much more difficult.

Cleaning of oiled otters will likewise be a difficult process. Pastorok and Bigham (1983) have described the techniques for cleaning and rehabilitation of oiled sea otters as being "still in the developmental stage." Costa and Kooyman (1982) determined that the metabolic rate of otters in a laboratory experiment increased by 41 percent after oiling and more than doubled after washing. It took eight days for the otters to return to normal. One otter, which was not washed after oiling, had a metabolic rate 98 percent above control six days after oiling. Importantly, all these otters were oiled initially over less than 20 percent of their body areas. The uncleaned otter ultimately spread the oil throughout its pelage in the course of attempting to groom. The authors concluded that otters oiled as those in the experiment, carefully cleaned and then maintained in warm water (20 degrees C) could be successfully rehabilitated. They further concluded that uncleaned otters in the wild would likely be unable to sustain a metabolism sufficient to offset the heat loss resulting from oil fouling of the entire fur.

Siniff et al. (1982) performed experiments in which otters were oiled by covering 130-260 square cm of their anterior dorsal surfaces with 25 cc of Prudhoe Bay crude oil. These otters were released without cleaning and their activities observed telemetrically. They increased their activity levels significantly above those of control animals for a matter of a few days to more than a week, apparently as they groomed in efforts to remove the oil. Importantly, only about 10 percent of the otters' body surfaces were initially covered with oil. Another otter was both oiled and cleaned before release. This animal was more active than control otters for two weeks after release.

These experiments suggest that at very low levels of oiling (e.g. 10 percent of the body surface or less covered with oil), otters may survive the oiling without the aid of cleaning. In fact, cleaning may harm the animals by removing natural oils or waxes or by interfering with unknown mechanical properties of the fur. At higher levels of oiling, however, cleaning may be necessary for survival, but will require extensive efforts and prolonged holding periods as the natural qualities of the fur are restored.

There are several facilities in and near the sea otter range that could be used for otter cleaning and rehabilitation. (Figure 8). Most, however, could handle only a few otters at a time and most are lacking in some respect such as availability of sufficient quantities of warm water or presence of otter cleaning and rehabilitation protocols.

Materials suitable for otter cleaning and rehabilitation have been stockpiled by the California Department of Fish and Game at Yountville, Monterey, Santa Barbara, and Newport Beach. Only the Monterey location is within the otter range. The materials are stored in 5' X 8' X 6' box trailers and include plywood, bales of rags, plastic pools, and other items.

Given the difficulty of capturing otters, some observers are skeptical about whether there will be any otters to clean in the event of a spill (Gullett, pers. comm; Ames, pers. comm.). Ames (pers. comm.) speculates that it is likely that only the animals in the poorest condition will be caught, and those will have little chance of survival in any event.

Exacerbating the problems with capture is the otters' habit of sometimes retreating to the security of kelp beds when

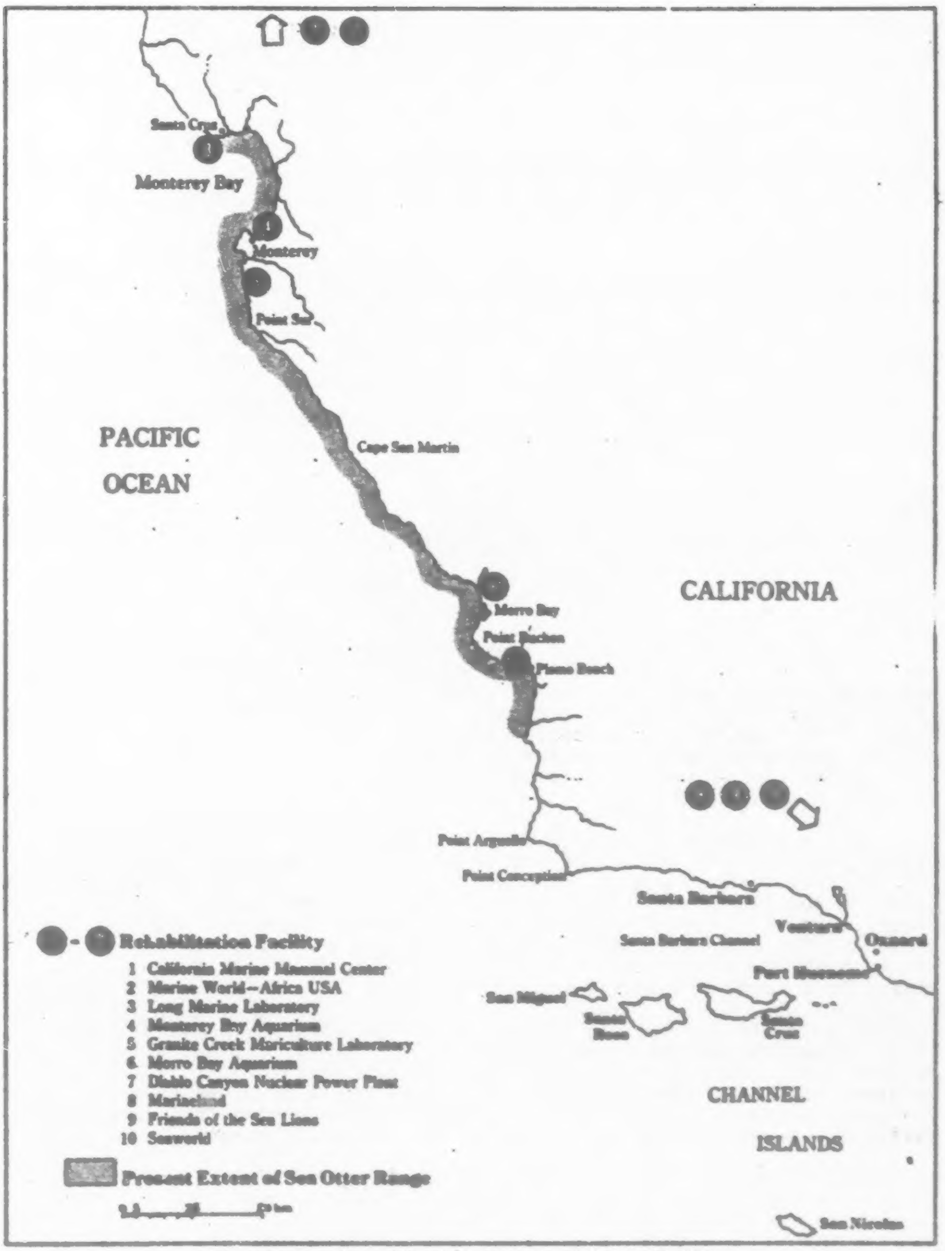

Santa Cruz
Monterey Bay
Monterey
Point Sur
PACIFIC
OCEAN
Cape San Martin
CALIFORNIA
Morro Bay
Point Buchon
Pismo Beach
Point Arguello
Point Conception
Santa Barbara
Ventura
Oxnard
Santa Barbara Channel
Port Hueneme
San Miguel
Santa Rosa
Santa Cruz
CHANNEL
ISLANDS
San Nicolas
Rehabilitation Facility
1 California Marine Mammal Center
2 Marine World—Africa USA
3 Long Marine Laboratory
4 Monterey Bay Aquarium
5 Granite Creek Mariculture Laboratory
6 Morro Bay Aquarium
7 Diablo Canyon Nuclear Power Plant
8 Marineland
9 Friends of the Sea Lions
10 Seaworld
Present Extent of Sea Otter Range

Figure 8: Locations of Possible Otter Rehabilitation Facilities

stressed (Van Blaricom, pers. comm.). Nicholson and Cimberg (1971) observed that in the Santa Barbara spill, oil slicks were dammed in the surface fronds of kelp. While this has little effect on the kelp itself (McPeak, pers. comm.), it could mean that any capture efforts that alarmed the otters could have the result of driving them directly into an area where their exposure to oil is increased. Moreover, a retreat to the kelpbeds makes the use of most kinds of capturing device more difficult as range of vision and maneuverability would be reduced.

Range of Exposure

Should an oil spill occur in or near the sea otter range, it will pose a danger to otters in any areas that the spilled oil may reach. The scope of the area that may be affected by an oil spill is contingent on a number of factors including geography, currents, winds, tides, containment, amount of oil spilled, spreading, weathering, and others. Clearly, as the size of the spill increases, the size of the area it may affect increases. Spills of only a few barrels or less will not pose a substantial threat to the survival of the sea otter population in California, but a very large spill or a series of smaller spills could well pose such a threat.

To date there has been no large spill that has intruded into the otter range, so the degree of the threat is untested. One indicator of that threat, however, was presented when a barge carrying two million board feet of lumber spilled its load in heavy weather 40 kilometers west of Point Sur (Van Blaricom and Jameson, 1982). This amount of lumber is equivalent to 29,000 barrels of oil in volume. As Figure 9 shows, the lumber washed ashore at several locations over a total span of more than 300 kilometers moving both north and south over a span of tens of days. The behavior of the spilled lumber was found to be similar to that of spilled oil, and accordingly gives some indication of what might be expected from a major oil spill (Van Blaricom and Jameson, 1982).

In areas outside of the immediate range of the sea otters a number of large oil spills have occurred. Two notable ones were the 1969 Santa Barbara spill and the 1971 tanker collision in the Golden Gate. These two spills bracket the sea otter range. Other large spills have occurred in a variety of locations including the Brittany cost of France (The Amoco Cadiz spill), the Cornwall coast of England (the Torrey Canyon), the Gulf of Mexico (the Ixtoc I blowout) and others.

These spills provide an indication of the range over which marine creatures can be threatened by an oil spill. The Santa Barbara spill, for example, fouled over 230 kilometers of mainland and island shore (Figure 10). This spill resulted from a blowout on an offshore platform which flowed unchecked for ten days. The amount of oil spilled at Santa Barbara is unknown, but

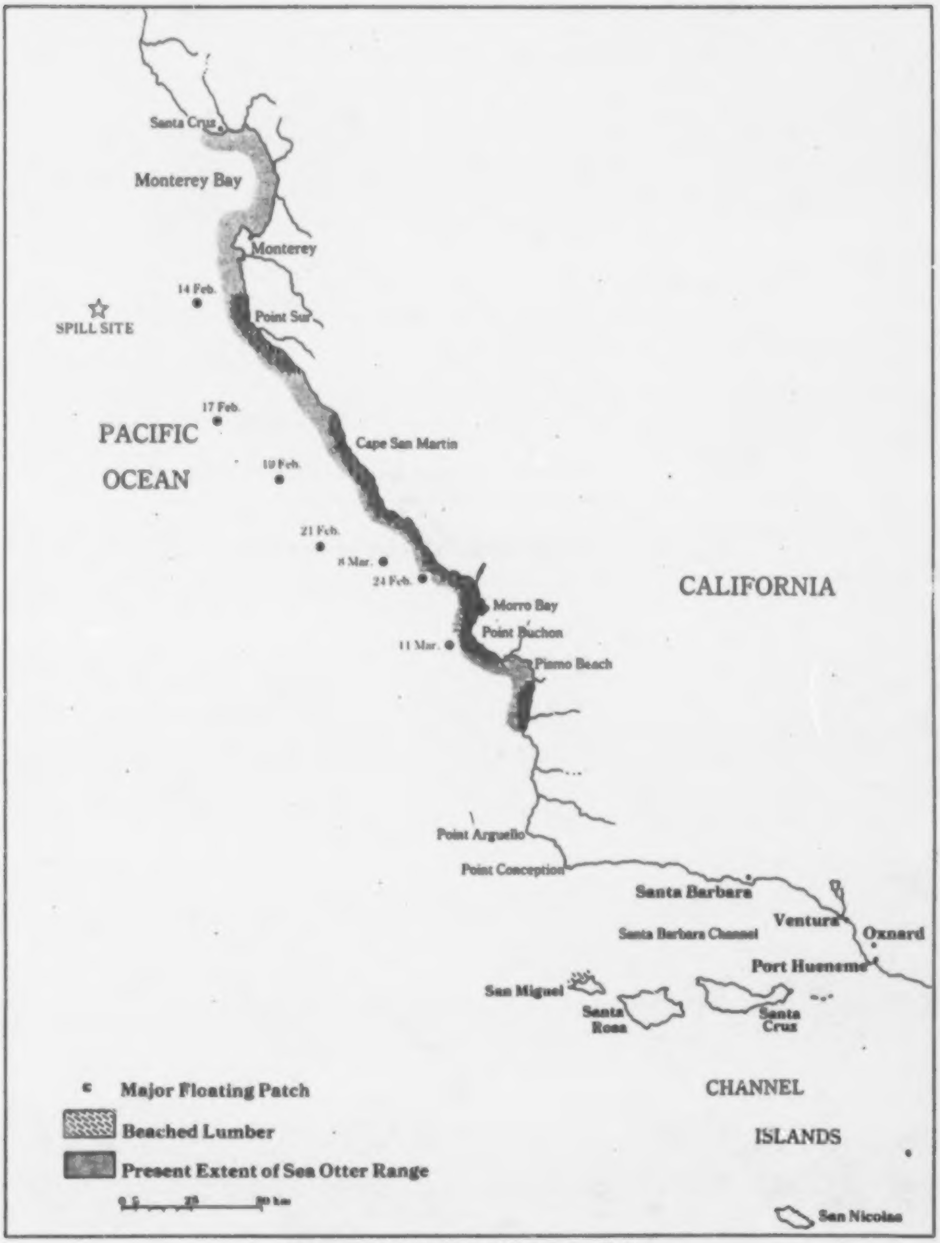

Santa Cruz
Monterey Bay
Monterey
14 Feb.
SPILL SITE
Point Sur
17 Feb.
PACIFIC
OCEAN
Cape San Martin
19 Feb.
21 Feb.
8 Mar.
24 Feb.
CALIFORNIA
Morro Bay
Point Buchon
11 Mar.
Pismo Beach
Point Arguello
Point Conception
Santa Barbara
Santa Barbara Channel
Ventura
Oxnard
Port Hueneme
San Miguel
Santa Rosa
Santa Cruz
CHANNEL
ISLANDS
Major Floating Patch
Beached Lumber
Present Extent of Sea Otter Range
0 5 25 50 km
San Nicolas

Figure 9: Area Affected by Lumber Spill

43

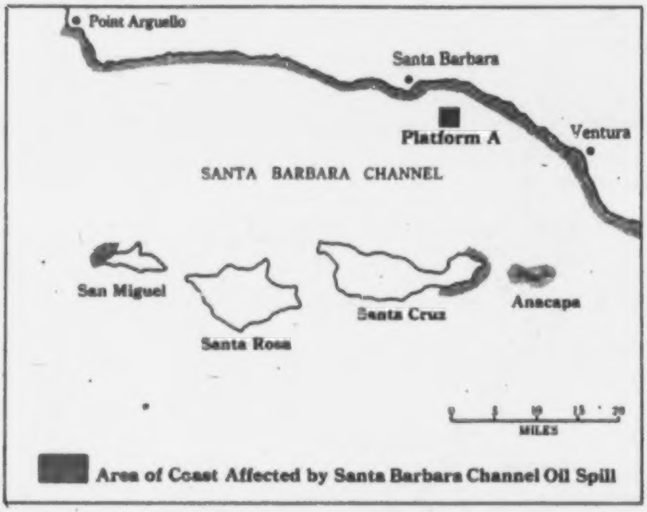

Point Arguello
Santa Barbara
Platform A
Ventura
SANTA BARBARA CHANNEL
San Miguel
Santa Rosa
Santa Cruz
Anacapa
0 5 10 15 20
MILES
▨ Area of Coast Affected by Santa Barbara Channel Oil Spill

Figure 10: Area Affected by Santa Barbara Channel Oil Spill

estimates place it in the vicinity of a minimum of 5,000 barrels per day (Allen, 1969). The U.S. Geological Survey placed the amoung much lower, at about 1,000 barrels per day (Holmes, 1969); but this estimate has been questioned (Kolpak et al. 1971). Foster et al. (1971) lend support to the high figure.

The tanker spill in the Golden Gate involved the collision of two Chevron tankers in heavy fog. 840,000 gallons of Bunker C fuel were spilled, washing up on over 95 kilometers of shoreline (Chan, 1973; Figure 11). Tidal currents carried the oil both into San Francisco Bay and out through the Golden Gate where it then flowed to both north and south (Chan, 1973).

The Amoco Cadiz spill occurred in March 1978, when the tanker, disabled by a steering loss, grounded on submerged rocks about 1.5 kilometers off the coast of Britanny at the entrance to the English Channel (U.S. Department of Commerce, 1983). Approximately 223,000 metric tons (about 1.5 million barrels) of oil were spilled of which about 28 percent reached the coast (Gundlach et al., 1983). About 15,000 square kilometers of offshore waters were oiled in the spill, and some 320 kilometers of coastline were oiled (Guldlach et al., 1983; Figure 12). Coincidentally, the length of shoreline oiled by the Amoco Cadiz spill is about the same as the length of the sea otter range in California - 320 kilometers (U.S. Fish and Wildlife Service, 1982a). Two years after the Amoco Cadiz incident another tanker, the Tanio, spilled some 7000 tons of oil along half of the shoreline previously affected by the Amoco Cadiz (Gundlach et al. 1981).

The Torrey Canyon spill, involving about 850,000 barrels of Kuwait crude oil, occurred in March 1967. The ship was attempting to pass the southwestern tip of England on its way to Wales when it grounded on Seven Stones reef. The spill spread along about 200 kilometers of Cornish coast and then crossed the English Channel where it washed up on a similar length of the Brittany coast. The extent of shoreline affected by the Torrey Canyon spill is shown in Figure 13.

The Ixtox I blowout was the largest oil spill in history. The blowout flowed for nine months and over 3.3 million barrels of oil were released (Patton et al., 1981). Oil from the Ixtoc well eventually appeared on beaches in Texas two and a half months after the blowout started. A sheen of oil was visible on the surface of the water some 750-1000 kilometers from the blowout site. Figure 14 shows the area of shoreline affected by the Ixtoc blowout. In all, about 1000 kilometers of shore were fouled by Ixtoc oil.

Each of these spills shows clearly that a large, uncontrolled spill can affect all or a substantial part of the sea otter range. Particularly in the case of tankers, which do not carry spill control equipment, this is a very real threat.

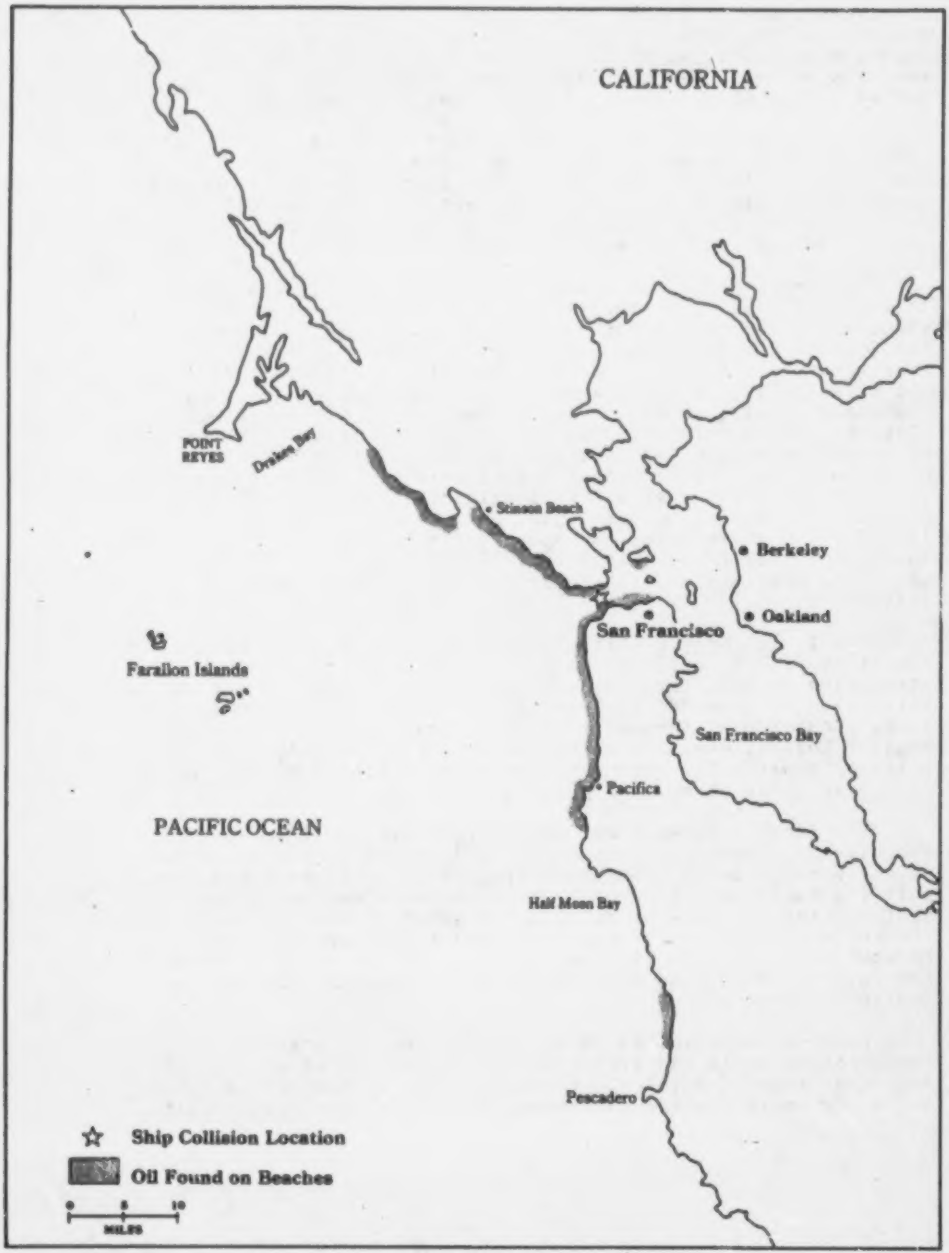

CALIFORNIA
POINT REYES
Drakes Bay
Stinson Beach
Berkeley
Oakland
San Francisco
Farallon Islands
San Francisco Bay
Pacifica
PACIFIC OCEAN
Half Moon Bay
Pescadero
☆ Ship Collision Location
▨ Oil Found on Beaches
0
5
10
MILES

Figure 11: Area Affected by Golden Gate Oil Spill

96

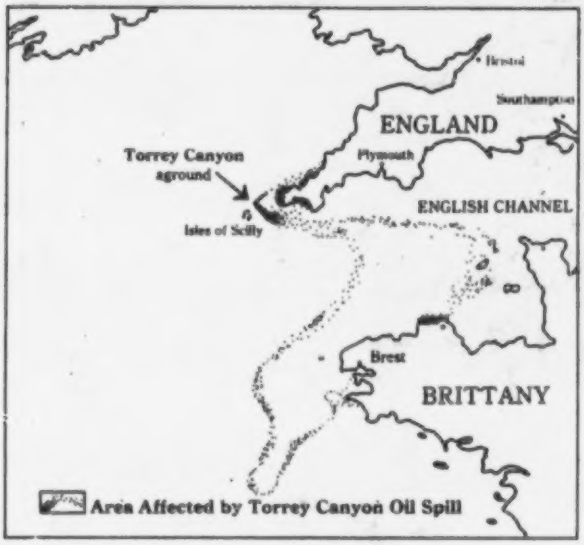

Bristol
Southampton
ENGLAND
Plymouth
Torrey Canyon aground
Isles of Scilly
ENGLISH CHANNEL
Brest
BRITTANY
Area Affected by Torrey Canyon Oil Spill

Figure 13: Area Affected by Torrey Canyon Oil Spill

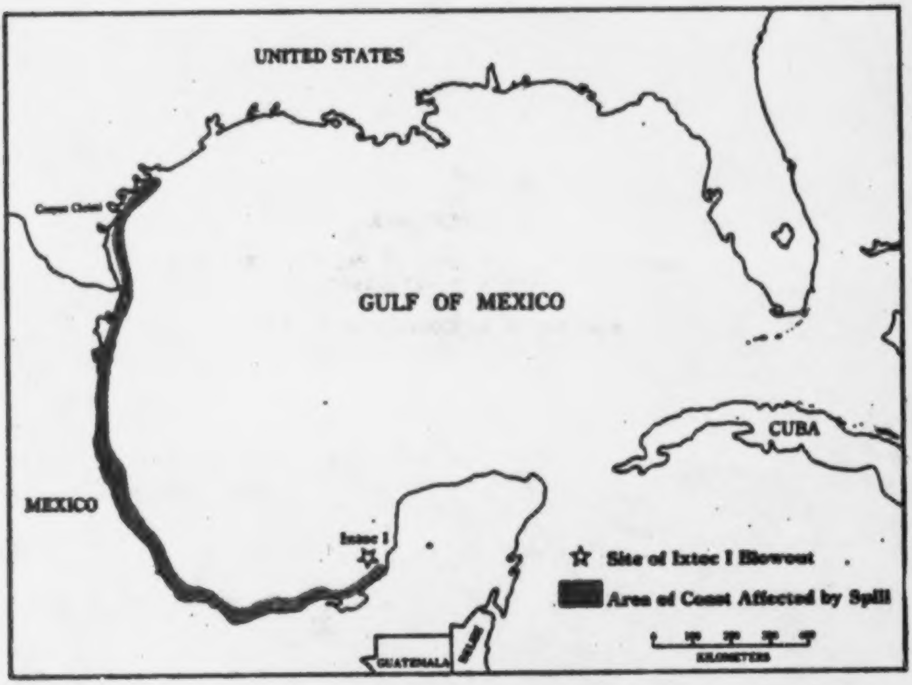

UNITED STATES
Corpus Christi
GULF OF MEXICO
CUBA
MEXICO
Ixtoc I
GUATEMALA
BELIZE
☆ Site of Ixtoc I Blowout
Area of Coast Affected by Spill
0 100 200 300 400
KILOMETERS

Figure 14: Area Affected by Ixtoc Oil Spill

ADDENDUM A

CHRONOLOGY OF THE SEALIFT PACIFIC INCIDENT
APRIL 19-21, 1984

Source: U.S. Coast Guard, 1984

Chronology of Sealift Pacific Incident, April 19-21, 1984

April 19, 1984

3:00 a.m. Agent of USNS Sealift Pacific notifies Coast Guard Marine Safety Office, San Francisco, that the vessel is adrift without power 10.2 nautical miles due west of Cypress Point, carrying 143,000 barrels of diesel fuel.

8:30 a.m. Vessel reports to Monterey Coast Guard that it is adrift, heading 149 degrees at 1.5 knots. A salvage tug, the Sea King, is reported enroute to scene from San Francisco Bay, with an estimated time of arrival of 4:00 p.m.

8:50 a.m. The Coast Guard Cutter Sherman, located 108 nautical miles southeast, is diverted to the scene at maximum speed, with an estimated time of arrival of 1:00 p.m.

8:55 a.m. A Coast Guard helicopter, on a training mission, is diverted to Monterey airport, where it is to refuel and await instructions.

9:00 a.m. Pacific Strike Team, oil spill response organization, is briefed and put on immediate standby.

9:05 a.m. A Coast Guard C-130, on a training mission, is diverted to the scene.

9:30 a.m. The Sherman revises its estimated time of arrival from 1:00 p.m. to 2:30 p.m.

10:20 a.m. Captain of Seacliff Pacific informs Coast Guard that he intends to anchor at the 45 fathom curve, 1.5 miles off the beach.

10:25 a.m. Coast Guard C-130 requests that tanker Exxon Lexington, steaming nearby, divert to scene to possibly render assistance. No towing gear on Exxon Lexington.

10:33 a.m. Pacific Strke Team inquires whether cargo pumps on Sealift Pacific work. Notified that they do.

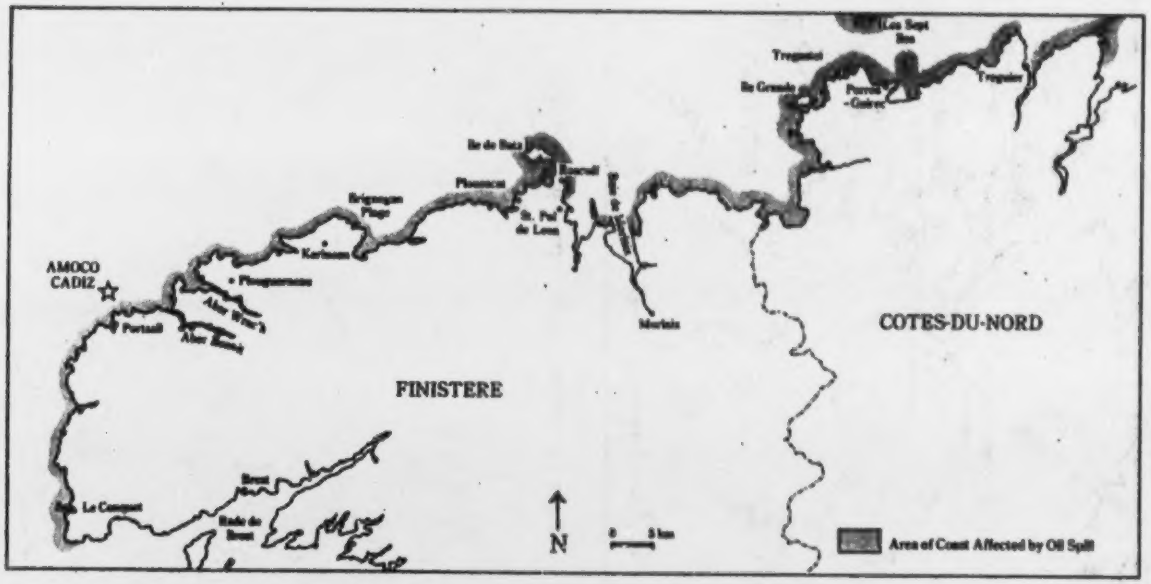

Les Sept
Iles
Tregastel
Ile Grande
Perros
-Guirec
Tregaier
Ile de Batz
Roscoff
Plouescat
Brignogan
Plage
St. Pol
de Leon
Kerlouan
AMOCO
CADIZ
Plouguerneau
Aber Wrac'h
Portsall
Aber Benoit
Morlaix
COTES-DU-NORD
FINISTERE
Brest
Le Conquet
Rade de
Brest
N
0
5 km
Area of Coast Affected by Oil Spill

Figure 12: Area Affected by Amoco Cadiz Oil Spill

10:40 a.m.	Container vessel *American Aquarius*, steaming nearby, offers to divert to scene to possibly render assistance. *American Aquarius* has no towing gear aboard.
11:30 a.m.	NOAA offers to send research vessel *Acania* to scene to render assistance.
11:35 a.m.	Coast Guard informed that salvage tug will not render assistance until contract negotiations are completed.
12:05 p.m.	Research vessel *Acania* again offers assistance
12:55 p.m.	*Exxon Lexington* arrives on scene, but is unable to render assistance due to weather. *Sealift Pacific* drops anchor, 1.9 nautical miles from shore.
1:12 p.m.	Anchor reported holding. *Exxon Lexington* requests to be released.
1:20 p.m.	*Sherman* arrives on scene.
3:00 p.m.	*Sherman* is requested to remain on scene by Coast Guard in Washington, D.C.
4:10 p.m.	*Sealift Pacific* finds further damage, estimates repairs to be completed by noon tomorrow.
5:12 p.m.	Pacific Strike Team briefed.
7:20 p.m.	Coast Guard informed that salvage contract problem is unresolved and tug may not respond to requests for assistance.

April 28, 1984

8:05 a.m.	Coast Guard is informed contractual problems resolved.
8:40 a.m.	Coast Guard is informed that contract remains unsigned, and that if one more effort to reach accord is unsuccessful, tug will return to San Francisco.

9:15 a.m. U.S. Fish and Wildlife Service is briefed.

9:36 a.m. Estimated time to complete repairs modified to 4:00 p.m.

12:40 p.m. Salvage agreement reached.

2:30 p.m. USNS *Navajo*, a Navy tug, is expected to arrive by midnight, the Coast Guard is informed by the *Sealift Pacific*.

4:40 p.m. Repairs not complete. *Sealift Pacific* expects to remain anchored until midnight.

10:58 p.m. *Sherman* is informed repairs will take until at least midnight.

April 21, 1984

12:54 a.m. *Sherman* is relieved by *Navajo*. *Sea King* is relieved. Repairs expected to be complete by 3:00 a.m.

4:45 a.m. *Sealift Pacific* reports warming fuel oil in preparation for getting underway.

7:00 a.m. *Sealift Pacific* expects to be underway by 7:15 a.m.

7:20 a.m. *Sealift Pacific* is reported heaving around on anchor.

7:45 a.m. *Sealift Pacific* is underway on its own power.

ADDENDUM B

OFFSHORE OIL PLATFORMS AND SEA OTTERS

Offshore oil platforms pose in themselves a situation which may or may not be a problem for sea otters. This is the possibility of platforms in or near the otter range, with the extensive communities of mussels and other shellfish that develop on the supporting structures of the platforms, acting as "attractive nuisances." The possibility is that otters will be drawn to the ready food supply and exposed to even the smallest discharges and spills occuring at platforms.

When a platform is placed in the seabed its supporting structures, composed of vertical legs connected by horizontal, oblique, and vertical bracing members, create a new substrate for colonization by marine species. Studies of the communities developing on Southern California platforms (Wolfson et al., 1979; Mearns and Moore, 1976) have shown that the supporting structure is quickly colonized by what is characterized as a "fouling" assemblage similar to that of other artificial marine habitats such as wharf pilings and jetties.

Platform Eva, a Union Oil Company of California platform located three kilometers offshore of Huntington Beach, California (in state waters) was found (Wolfson, et al., 1979) to be thickly colonized from the surface of the water down with the mussels Mytilus californianus and M. edulis. The platform is located in 18 meters (about 10 fathoms or 60 feet) of water. A few meters above the bottom the encrustations of mussels ended and were replaced by densely-packed sea anemones, Corynactis californica. Researchers credit the anemones with protecting the mussels from the vast aggregations of sea stars found at the base of the platform.

An examination of Platform Hazel, located 2.2 miles off Summerland near Santa Barbara in 100 feet of water showed a fouling community of similar extent (Carlisle et al., 1964). Bay mussels, Mytilus edulis, dominated the platform supports to depths of 60 feet or more. The encrustations were at least 12 inches thick. Among and on the mussels were crabs, Cancer anthonyi (yellow crab), C. antennarius (rock crab), Pugetta producta (kelp crab), and spider crabs, urchins (Strongylocentrotus purpuratus and S. franciscanus), and sea stars (Pisaster ochraceus, P. giganteus, P. brevispinus).

It is the mussels and other creatures that form the basis of the concern over the attractive aspects of the platforms. Mussels (currently being commercially harvested from Santa Barbara Channel platforms for human consumption) are recognized as a "preferred" food item of sea otters (Vandevere, 1969; Boolootian, 1965; Hall and Schaller, 1964), as are crabs (Vandevere, 1969; Ebert, 1968; Hall and Schaller, 1964) and urchins (Boolootian, 1965; Hall and Schaller, 1964). If otters are in fact drawn to the food supply created by placement of new substrate in the open water, they may be exposed to even the smallest spills, such as spills of diesel fuel in the course of transferring it from supply vessels to platform fuel tanks. While otters do habituate to industrial sounds (Riedman, 1983; Kenyon, 1969), they react with alarm to approaching vessels (Riedman, 1983). Consequently the issue of otter attraction to platforms may not be of any significance.

Other aspects of platforms and their fouling communities may have positive effects on otters. By increasing the amoung of available prey for otters the platforms may increase the carrying capacity of the otter habitat. To the extent that otters in areas near platforms are limited by availability of food, platforms could be beneficial. An additional positive aspect of platforms is that any otters at a platform would be as close as possible to oil spill containment and cleanup equipment, giving them the best available protection from spills of any source.

More subtle issues are presented by the possibility that otters may dig for food items in the substrate around a platform. This may include digging in discharged muds and cuttings from the drilling of production wells. To the extent the otters take up any toxic substances from the muds and cuttings or from the prey animals removed from them, the otters may be harmed.

ADDENDUM C

SEA OTTER INTERACTIONS WITH SET FISHING GEAR

Direct evidence of sea otter drownings in set nets shows clearly that this is a substantial contributor to sea otter mortailty in California. While the substantiality of the drownings is obvious, the full extent of the drownings is not clearly understood. For example, in 1982 a sample consisting of approximately three percent of the halibut set net fishery effort within the sea otter range was observed by California Department of Fish and Game personnel (Ames, et al., 1983). Five sea otters were observed drowned. Extrapolating this three percent sample to the full fishery, a figure of 165 drowned otters is produced. Recognizing the limitations inherent in making such an extrapolation from a small, non-random sample, which the 1982 net observations were (Hardy, pers. comm.), this is nevertheless an alarming figure.

In 1983 and the first half of 1984, set net pulls (i.e. removals of the nets from the water to retrieve the catch) were observed at a higher level than they were in 1982. In 1983, approximately ten percent of the net pulls were observed, again in a haphazard, non-random method (Hardy, pers. comm.) and six drowned sea otters were observed. Extrapolating to the full set net effort results in an annual rate of 60 otter drownings. In the first half of 1984, about 15 percent of the net pulls were observed, with 6 otters again seen drowned (Hardy, pers. comm.). This would give an annual rate of about 80 otter drownings per year. Placing the 1982, 1983, and 1984 figures side-by-side, as shown in Table C, clearly reveals the wide variation in extrapolated annual rates of drownings.

Understanding the bases of these wide variations is not a simple task. They may be related, at least in part, to variations in the level of effort put into the fisheries themselves. Ames et al. (1983) stated that the correlation between dead otters in areas of intensive fishing and the level of effort in set net fishing is high. A similar relationship may be reflected in the varying annual rates of drownings extrapolated from the set net pull samples. In 1983, the set net level of effort was considerably lower than it was in 1982, and it has rebounded somewhat in 1984, partly in response to poor herring and squid seasons (Haugen, pers. comm.). Other possible causes of the variation, such as the effects of relying on non-random samples, cannot be ruled out.

Despite the uncertainty over the precise magnitude of sea otter drownings in gill and trammel nets, it is, as stated above, substantial.

Various techniques may be useful to reduce the possibility of otter drownings in set nets. A regulatory approach may be useful, as is being undertaken in Monterey Bay. Recent legislation bars gill and trammel nets from waters shallower than 15 fathoms in the bay. Given that all of the set net otter drownings in the last two and a half years have occurred in waters 12 fathoms or less in depth, this approach may work. On the other hand, it may merely move the problem into deeper water and in addition may place other species at risk. According to Hardy (pers. comm.), about 75 percent of the set net effort prior to the 15 fathom restriction was inside the 15 fathom curve. It follows that most otter drownings would occur at the depths where the majority of fishing effort occurs. Other regulatory approaches could involve bans on nets set within some distance from kelp beds or at night. Regulations might also require that nets be attended at all times or different methods of setting nets (e.g. with lighter weights, shorter nets, or different materials).

Technological means may also be useful to combat otter drownings. Since acoustic harassment has sometimes worked with pinnipeds such as harbor seals (Mata et al., 1983), it may work with otters. Packard (1982) has said that otters are likely to move around a stationary source of negative stimulus at a distance where the stimulus is below the level of intolerance. As pointed out in the main body of this report, however, acoustic harassment has not been successful to date with otters, although it has not been systematically tried. Should further experimentation find a sufficiently negative acoustic stimulus, the problem of expense and maintenance of acoustic devices in the water remains a barrier to their adoption (Packard, 1982).

Table C: Rate of Otter Drownings in Set Net Fishery*

Year	Portion of Effort Observed	Number of Drowned Otters	Estimated Annual Rate of Otter Drownings
1982	3%	5	165
1983	10%	6	60
1984	15%	6	80

*Based on non-random samples
Source: Hardy, pers. comm.

BIBLIOGRAPHY

Allen, A. 1969. Santa Barbara oil spill. In Hearings from the Subcommittee on Minerals, Materials, and Fuels of the Committee on Interior and Insular Affairs, U.S. Senate, 91st Congress, Mary 19-20, 1969.

Allen, H. 1971. Effects of petroleum fractions on the early development of a sea urchin. Mar. Poll. Bull. 9:138-140.

Ames, J.A., Hardy, R.A., Wendell, F.E., and Geibel, J.J. (1983). Sea Otter Mortality in California. Calif. Department of Fish & Game.

Aminoil. 1983. South Ellwood regional marine terminal modification development plan. Prepared for the County of Santa Barbara.

ARCO. 1983. Project description for the Coal Oil Point Project. Prepared for the County of Santa Barbara.

ARCO. 1982. Oil spill contingency plan for the Santa Maria Basin. Prepared for the Minerals Management Service.

Avolizi, R.J., and Nuwayhid, M. 1974. Effects of crude oil and dispersants on bivalves. Mar. Poll. Bull. 5:149-153.

Axiak, V. and Saliba, L.J. 1981. Effects of surface and sunken crude oil on the behavior of a sea urchin. Mar. Poll. Bull. 12:

Barabash-Nikiforov, I.I., Marakov, S.V. and Nikolaev, A.M. 1968. Otters (Sea otters).

Benech, S.V. 1979. Sea Otter observations and activities on the southern frontier (1973-1978). The Otter Raft, No. 22:7.

Bigham, G.N., Pagenkopf, J., Lytle, L., Benech, S., Hooks, T. 1983. An overview of sea otter oil spill risk analysis. Prepared for the Western Oil and Gas Association.

Blackman, R.A.A. 1974. Toxicity of oil-sinking agents. Mar. Poll. Bull. 5:116-118.

Boolootian. 1965. The sea otter and its effect upon the abalone resource, pp. 129-144. In Third Prog. Rep. to the Legislature of the Senate Permanent Fact Finding Committee on Natural Resources. 1965 Regular session, Sec. 1, Senate, State of California, Sacramento.

Bureau of Land Management, 1980. Final Environmental impact statement, proposed 1981 outer continental shelf oil and gas lease sale offshore central and northern California, OCS lease sale no. 53.

Caldwell, R.S., Caldarone, E.M., and Mallon, M.H. 1977. Effects of a seawater-soluble fraction of Cook Inlet crude oil and its major aromatic components on larval stages of the dungeness crab Cancer magister Dana. In Wolfe, D.A. 1977. Fate and effects of petroleum hydrocarbons in marine ecosystems and organisms.

California Coastal Commission. 1983. Oil spill response capability study.

California Dept. Fish & Game. 1969. Santa Barbara Oil Leak. California Dept. Fish & Game Interim Rept. Dec. 15, 1969.

Calkins, D.G. 1978. Feeding behavior and major prey species of the sea otter, enhydra lutris, in Montague Strait, Prince William Sound, Alaska. Fish Bull., U.S. 76:25-131.

Carlisle, J.G., Turner, C.H., and Ebert, E.E. 1964. Artificial habitat in the marine environment. Cal. Dept. Fish & Game, Fish Bull. no. 124.

Chan, G.L. 1974. A study of the effects of the San Francisco oil spill on marine life, part II, recruitment.

Chan, G.L. 1973. A study of the effects of the San Francisco oil spill on marine organisms In Proc. Joint Conf. on the Prevention and Control of Oil Spills. pp. 741-781.

Chevron USA. 1982. Oil spill and emergency contingency plan for Santa Maria Basin OCS leases. Prepared for the Minerals Management Service.

Clark, R.C. and Brown, D.W. 1977. Petroleum: Properties and analyses in biotic and abiotic systems. in Malins, D.C., ed., Effects of Petroleum on Arctic and subarctic marine environments and organisms, Volume I. Nature and Fate of Petroleum.

Clean Seas. 1983. Oil Spill Cleanup Manual.

Conner, W. 1979. A small oil spill at West Falmouth. EPA Decision Series. EPA 600/9-79-007.

Costa, D.P., and Kooyman, G.L. 1982. Oxygen consumption, thermoregulation and the effect of fur oiling and washing on the sea otter, Enhydra lutris. Can. J. Zool. 60:2761-2767.

Crow, P. 1984. Critical issues in OCS activity could be resolved this summer. Oil and Gas Journal 82(27):19-24 (July 2, 1984).

Department of Fish and Game. 1974. Oil and hazardous materials contingency plan.

Dixon, D.R. 1982. Aneuploidy in mussel embryos (Mytilus edulis L.) originating from a polluted dock. Mar. Bio. Letters 3:155-161.

Dow, R.L. 1975. Reduced growth and survival of clams transplanted to an oil spill site. Mar. Poll. Bull. 6:124-125.

Ebert, E.E. 1968. A food habits study of the soutern sea otter, Enhydra lutris nereis. Calif. Fish & Game 54: 33-42.

Fisher, Edna M. 1939. Habits of the southern sea otter. J. Mammal. 20:21-36.

Foster, M., Neushul, M. and Zingmark, R. 1970. The Santa Barbara oil spill II: Initial effects on littoral and kelp bed organisms. In, Santa Barbara oil pollution, 1969: A study of the biological effects of the oil spill which occurred at Santa Barbara, California in 1969. Federal Water Quality Administration, Department of the Interior. Program Number 15080, DZR 10/70 (Oct. 1970).

Foster, M., A.C. Charters, and M. Neushul. 1971. The Santa Barbara oil spill. Part 1: Initial quantities and distribution of pollutant crude oil. Environ. Pollut. 2:97-113.

Getty Oil Co. 1982. Oil Spill contingency plan, Santa Maria Basin, OCS lease sale area no. 53.

Getty Trading and Transportation Co. 1983. Development plan and environmental report for the Getty Gaviota consolidated coastal facility. Prepared for the County of Santa Barbara.

Gilfillan, E.S. and Vandermeulen, J.H. 1978. Alterations in growth and physiology of soft-shelled clams, Mya arenaria, chronically oiled with bunker C from Chedabucto Bay, Nova Scotia. J. Fish. Bd. Can. 35:630-636.

Goldbert, E.D. 1975. The mussel watch - a first step in global marine monitoring. Mar. Poll. Bull. 6:11.

Gundlach, E.R., Boehm, P.D., Marchand, M., Atlas, R.M., Ward, D.M., and Wolfe, D.A. 1983. The fate of Amoco Cadiz Oil. Science 221:122-129.

Gundlach, E.R., Berne, S., D'Ozonville, L., and Topinka, J.A. 1981. 1981 Oil Spill Conference.

Gundlach, E.R., Domeracki, D.D., Thebeau, L.C. 1980. Persistence of Metula oil in the Strait of Magellan six and one-half years after the incident. Final report to NOAA under contract no. NA 80RAD00061.

Hall, K.R.L. and Schaller, G.B. 1964. Tool using behavior of the California sea otter. J. Mammal. 45:287-298.

Hartwick, E.B., Wu, R.S.S., and Parker, D.B. 1982. Effects of a crude oil and an oil dispersant (Corexit 9527) on populations of the littleneck clam (*Protothaca staminea*). Mar. Env. Rep. 6:291-306.

Havran, K.J. 1983. Pacific Summary report. September 1983, outer continental shelf oil and gas activities in the Pacific and their onshore impacts. Prepared for the Minerals Management Service.

Hines, A.H. & Loughlin, T.R. 1980. Observations of sea otters digging for clams at Monterey Harbor, California. Fish. Bull., U.S. 78:159-163.

Holmes, R.W. 1969. The Santa Barbara Oil Spill. In Hoult, D.P., ed. Oil on the Sea.

Hose, J.E. and Puffer, H.W. 1983. Cytologic and cytogenic anomalies induced in purple sea urchin embryos (Strongylocentrotus purpuratus S.) by parental exposure to benzo(a)pyrene. Mar. Bio. Letters 4:87-95.

Jameson, G.L. 1983. Trial systematic salvage of beach-cast sea otter carcasses in the central part of the sea otter range in central California, monthly report no. 3. Prepared for the Marine Mammal Commission.

Johns, D.M. and Pechenik, J.A. 1980. Influence of the water-accommodate fraction of no. 2 fuel oil on energetics of *Cancer irroratus* larvae. Mar. Biol. 55:247-254.

Kanter, R. 1974. Susceptibility to crude oil with respect to size, season, and geographical location in *Mytilus californianus*.

Keizer, P.D., Ahern, T.P., Dale, J. and Vandermuelen, J.H. 1978. Residues of bunker C oil in Chedabucto Bay, Nova Scotia, six years after the Arrow spill. J. Fish. Res. Bd. Can. 35:528-535.

Kenyon, K. 1969. The Sea otter in the eastern Pacific Ocean. North Am. Fauna 68. 352 pp.

Kolpack, R.L., J.S. Mattson, H.B. Mark, and T.C. Yu. 1971. Hydrocarbon content of Santa Barbara Channel sediments. Pages 276-295 in R.L. Kolpack, ed. Biological and Oceanographical Survey of the Santa Barbara Channel Oil Spill 1969-1970. Vol. II.

Kooyman, G.L. and Costa, D.P. 1979. Effects of oiling on temperature regulation in sea otters.

Krebs, C.T. and Burns, K.A. 1977. Long term effects of an oil spill on populations of the salt-marsh crab Uca pugnax. Science. :484-487.

Lanfear, K.J. and Amstutz, D.B. 1983. A re-examination of occurrence rates for accidental oil spills on the U.S. outer continental shelf. Prepared for the Minerals Management Service.

Las Flores Terminal Design Project 1983. Las Flores terminal development plan project description.

Leatherwood, S., Harrington-Coulombe, L., and Hubbs, C. 1978. Relict survival of the sea otter in central California and evidence of its recent redispersal south of Point Conception. Bull. Southern Calif. Acad. Sci. 77:109-115.

LeBoeuf, B. 1971. Oil contamination and elephant seal mortality: a "negative" finding. pp. 277-281. In biological and oceanographic survey of the Santa Barbara Channel Oil Spill. 1969-1970. Vol. 1. D. Straughan (ed.) Allan Hancock Foundation Sea Grant Publ. 2.

Mate, B.R., Brown, R.F., and Greenlawn, G. 1983. Testing of high frequency underwater sounds as a deterrent to harbor seals in salmon fishery interactions. Proceedings of the 5th Biennial Conference on the Biology of Marine Mammals (abstract only).

Nicholson, N.L. and Cimberg, R.L. 1971. The Santa Barbara oil spills of 1969: a post-spill survey of the rocky intertidal. In Straughan, D. 1971. Biological and oceanographical survey of the Santa Barbara Channel oil spill 1969-1970.

North, W.J., Nueshul, M., and Clendenning, K.A. 1965. Successive biological changes observed in a marine cove exposed to a large spillage of oil. Symp. Comm. Int. Explor. Scient. Mer Medit., Monaco, 1964. pp 335-354.

Olla, B.L. Bejda, A.J., and Pearson, W.H. 1983. Effects of oiled sediment on the burrowing behavior of the hard clam Mercinaria mercinaria. Mar. Env. Res. 9:183-193.

O'Reilly, R. 1984. Arco abandons 7 center California offshore oil tracts. Los Angeles Times May 15, 1984.

Oristland, N.A., Englehardt, F.R., Juck, E.A., Hurst, R.J., and Watts, P.D. 1981. Effect of crude oil on polar bears. Northern Affairs Program. Environmental Studies No. 24. Ministry of Indian and Northern Affairs Canada.

Pacific OCS Office. 1984. Exploration and development and production plans, Pacific OCS region. Feb. 2, 1984.

Pastorok, R.A. and Bigham, G.N. 1983. Cleaning and rehabilitation of oiled sea otters. Prepared for Western Oil and Gas Association.

Patton, J.S., Rigler, M.W., Boehm, P.D., and Fiest, D.L. 1981. Ixtoc 1 oil spill: flaking of surface mousse in the Gulf of Mexico. Nature. 290(5803):235-238.

Pearson, W.H., Miller, S.E., Blaylock, J.W., and Olla, B.L. 1981. Detection of the water soluble fraction of crude oil by the blue crab, Callinectes sapidus. Mar. Env. Rep. 5:3-11.

Pearson, W.H., Woodruff, D.L., Sugarman, P.C., and Olla, B.L. 1981. Effects of oiled sediment on predation on the littleneck clam, Protothaca staminea, by the dungeness crab, Cancer magister. Estuarine, Coastal and Shelf Science 13:445-454.

Petroleum Transporation Committee. 1982. Phase I Final Report.

Reidman, M. 1983. Studies of the potential effects of noise associated with oil and gas exploration and development on the behavoir of sea otters in California. Report to MMS Leasing Office, Anchorage, Alaska.

Richardson, M.G. 1979. "Esso Bernicia incident, Shetland, Dec. Jan." Mar. Poll. Bull. 10:97.

Ricketts, E.F., Calvin, J. and Hedgpeth, J.W. 1968. Between Pacific Tides.

Sanders, H.L., Grassle, J.F., Hampson, G.R., Morse, L.S., Garner-Price, S., and Jones, C.C. 1981. Long term effects of the barge Florida oil spill.

Scammon, C.M. 1968. The marine mammals of the northwestern coast of North America. (Reprint of 1874 publication).

Science Applications, Inc. 1984. Final environmental impact statement/report for Santa Ynez unit/Las Flores Canyon development and production plan.

Shaughnessy, P.D., Semmelink, A., Cooper, J., and Frost P.G.H. 1981. Attempts to develop acoustic methods of keeping cape fur seals Arctocephalus pusillus from fishing nets. Biol. Cons. 21:141-158.

Shell Oil Co. 1981. Oil spill contingency plan, Trout prospect, OCS lease no. P-0435. Prepared for the Minerals Management Service.

Shimek, S.J. 1977. The underwater foraging habits of the sea otter, Enhydra lutris. Calif. Fish & Game 63:117-120.

Siniff, D.B., Williams T.D., Johnson, A.M., and Garshelis, D.L. 1982. Experiments on the response of sea otters, Enhydra lutris, to oil contamination. Biol. Conserv. 23:261-272.

Smith, R.I., and Carlton, J.T. 1975. Light's Manual: Intertidal invertebrates of the Central California coast.

Smith, T.G. 1975. The effect of contact and ingestion of crude oil on ringed seals of the Beaufort Sea. Beaufort Sea Project Tech. Rep. 5.

Soule, D.F. and Oguri, M. 1978. The impace of the Sansinena explosion and bunker C spill on the marine environment of outer Los Angeles harbor. Marine studies of San Pedro Bay, Part 1S. Harbors Environmental Projects, Allan Hancock Foundation, and Office of Sea Grant Programs, University of Southern California.

Southward, A.J. and Southward, E.C. 1978. Recolonization of rocky shores in Cornwall after use of toxic dispersants to clean up the Torrey Canyon spill. J. Fish. Res. Bd. Can. 35-682:706.

Stephenson, M.D. 1977. Sea otter predation on pismo clams in Monterey Bay. Calif. Fish & Game 63:117-120.

Tinney, R.T. 1983. Assessment of past, present, and future risks of oil spills in and near the present sea otter range in California. Prepared for U.S. Marine Mammal Commission, June 1983.

Union Oil 1983. Preliminary plan for development of OCS tract P-0441 Santa Maria Basin. Prepared for the Minerals Management Service.

U.S. Coast Guard. 1983. Polluting Incidents in and around U.S. waters. Calendar year 1981 and 1982. COMDTINST M16450.2E.

U.S. Coast Guard, Marine Safety Office, San Francisco Bay. 1982. Oil and hazardous substance contingency plan.

U.S. Department of Commerce. 1983. Assessing the social costs of oil spills: the Amoco Cadiz case study.

U.S. Department of the Interior, Minerals Management Service, Pacific OCS Region. 1984. Status of Leases.

U.S. Environmental Protection Agency. 1982. National Oil and hazardous substances pollution contingency plan.

U.S. Fish and Wildlife Service. 1982a. Southern sea otter recovery plan.

U.S. Fish and Wildlife Service. 1982b. Secretarial issue document on tentative proposed final 5-year OCS oil and gas leasing program, appendix 8-A.

U.S. Fish and Wildlife Service. 1980a. Biological opinion regarding outer continental shelf leasing and exploration offshore central and northern California.

U.S. Fish and Wildlife Service. 1980b. Biological opinion for the expansion of the Moss Landing marine terminal.

U.S. Fish and Wildlife Service. 1977. Final rule designating the California population of the sea otter as threatened. 42 F.R. 2965-69 (Jan. 14, 1977).

Vandevere, J.E. 1969. Feeding Behavior of the southern sea otter In Proceedings of the sixth annual conference on biological sonar and diving mammals. Stanford Research Institute.

Wells, P.G. and Keizer, P.D. 1975. Effectiveness and toxicity of an oil dispersant in large outdoor saltwater tanks. Mar. Poll. Bull. 6:153-157.

Western Geophysical. 1984. Bright spots for hot prospects, offshore California. Oil and Gas Journal. 82(2):67 (Jan. 9, 1984).

Widdows, J., Donkin, P., Salkeld, P.N., Cleary, J.J., Lowe, D.M., Evans, S.U., and Thompson, P.E. 1984. Relative importance of environmental factors in determining physiological differences between two populations of mussels (Mytilus edulis). Mar. Ecol.-Prog. Ser. 17:33-47.

Williams, B. 1984. Sale off California draws little interest. Oil and Gas Journal, 82(43): 64-65 (Oct. 22, 1984).

Williams. T.D. 1978. Chemical immobilization baseline hematological parameters and oil contamination in the sea otter.

Woodhouse, C.D., Cowen, R.K. and Wilcoxon, L.R. 1977. A summary of knowledge of the sea otter, Enhydra Lutris L., in California and an appraisal of the completeness of biological understanding of the species. Final report to the U.S. Marine Mammal Commission for contract no. MM6AC008.

Wolfson, A., Van Blaricom, G., Davis, N., and Lewbel, G.S. 1979. The marine life of an offshore oil platform. Mar. Ecol.-Prog. Ser. 1:81-89.

Worrall, C.M., and Widdows, J. 1984. Investigation of factors influencing mortality in Mytilus edulis L. Mar. Bio. Letters 5:85-97.

ANNUAL REPORT OF THE
MARINE MAMMAL COMMISSION, CALENDAR YEAR 1985

A REPORT TO CONGRESS

Marine Mammal Commission
1625 I Street, N.W.
Washington, D.C. 20006
31 January 1986

CONTENTS

I. Introduction....................................1
- Background....................................1
- Personnel.....................................1
- Funding.......................................2

II. Research and Studies Program...........................3
- Survey of Federally-Funded Marine Mammal Research.....................................3
- Research Program Reviews, Workshops, and Planning Meetings.............................4
- Commission-Sponsored Research and Study Projects......................................5
- Special Research Concerns for FY 1986...........20

III. International Aspects of Marine Mammal Protection and Conservation..................................22
- Conservation and Protection of Marine Mammals in the Southern Ocean.......................22
- International Whaling Commission................32
- Interim Convention on Conservation of North Pacific Fur Seals.......................40
- Convention on International Trade in Endangered Species of Wild Fauna and Flora...51

IV. Marine Mammal Management in Alaska..................53
- Marine Mammal Working Groups....................53
- Background Information on Transfer of Management..............................55
- Federal Marking and Tagging Regulations.........57
- Native Taking of Sea Otters.....................57
- Litigation......................................58

V. Marine Mammal/Fisheries Interactions................60
- Background......................................60
- Interactions off California.....................62
- Interactions in the Southeastern Bering Sea and Other Areas off Alaska..................65
- Interactions off Hawaii.........................66
- Interactions off the U.S. East Coast............66

VI. Entanglement in Marine Debris........................68
  Background..68
  Implementation of the Fiscal Year 1985 Entanglement Program........................70
  Planning for the Fiscal Year 1986 Entanglement Program........................72
  Related Commission Activities..................73

VII. Incidental Take of Marine Mammals in the Course of Commercial Fishing Operations..................76
  The Tuna-Porpoise Issue.........................76
  The Dall's Porpoise Issue.......................82

VIII. Species of Special Concern...........................86
  West Indian Manatee (Trichechus manatus)........86
  Hawaiian Monk Seal (Monachus schauinslandi).....93
  Caribbean Monk Seal (Monachus tropicalis).......98
  The California Sea Otter Population (Enhydra lutris)...........................99
  Humpback Whale (Megaptera novaeangliae)........107
  Bowhead Whale (Balaena mysticetus).............109
  Right Whale (Eubalena glacialis)...............113
  Gray Whale (Eschrichtius robustus).............115
  Gulf of California Harbor Porpoise (Phocoena sinus)............................118
  Harbor Porpoise (Phocoena phocoena)............119
  Bottlenose Dolphin (Tursiops truncatus)........122
  Guadalupe Fur Seal (Arctocephalus townsendi)...125

IX. Outer Continental Shelf Oil and Gas Development.....127
  Proposed Lease Sales...........................127
  The Minerals Management Service's Regional Environmental Studies Program...............130

X. Marine Mammals in Captivity........................132

XI. Permit Process.....................................135
  Application Review.............................135
  Working Group on Permit System.................136
  Permit-Related Litigation......................137

XII. Endangered Species Act Reauthorization..............138

Appendix A: Commission Recommendations: Calendar Year 1985.............................140

Appendix B: Reports on Commission-Sponsored Activities Available from the National Technical Information Service...........................157

Appendix C: Selected Literature Published Elsewhere Resulting from Commission-Sponsored Activities.....................................172

CHAPTER I

INTRODUCTION

Background

This is the thirteenth Annual Report of the Marine Mammal Commission, covering the period from 1 January through 31 December 1985. It is being submitted to Congress pursuant to Section 204 of the Marine Mammal Protection Act of 1972.

Established under Title II of the Act, the Marine Mammal Commission is an independent agency of the Executive Branch. It is charged with the responsibility for developing, reviewing, and making recommendations on actions and policies for all Federal agencies with respect to marine mammal protection and conservation, and for carrying out a research program.

Personnel

The Commission consists of three Commissioners who are appointed by the President. The Marine Mammal Protection Act requires that Commissioners be knowledgeable in marine ecology and resource management. Throughout 1985, the Commissioners were: William E. Evans, Ph.D. (Chairman), San Diego, California; Robert Elsner, Ph.D., Fairbanks, Alaska; and Karen Pryor, North Bend, Washington. Dr. Evans' nomination was confirmed by the Senate on 5 April 1984, Ms. Pryor's on 14 November 1985, and Dr. Elsner's on 12 December 1985.

The Commission's senior staff members are: John R. Twiss, Jr., Executive Director; Robert J. Hofman, Ph.D., Scientific Program Director; David W. Laist, Program Officer; Donald C. Baur, General Counsel; Douglas P. DeMaster, Ph.D., Deputy Scientific Program Director; Nancy L. Creason, Administrative Officer; and Jeannie K. Drevenak, L. Diane Roberts, and Eileen Shoemaker, Staff Assistants.

The Commission Chairman, with the concurrence of the other Commissioners, appoints the nine members of the Committee of Scientific Advisors on Marine Mammals, a committee of scientists statutorily mandated to be knowledgeable in marine ecology and marine mammal affairs. At the end of 1985, its members were: Robert L. Brownell, Jr., Ph.D., U.S. Fish and Wildlife Service; William W. Fox, Jr., Ph.D., University of Miami; Joseph R. Geraci, D.V.M., Ph.D., University of Guelph; Daniel Goodman, Ph.D., Montana State University; Murray L. Johnson, M.D. (Chairman), University of Washington; Jack W. Lentfer, Alaska Environmental Consulting, Juneau, Alaska; George A. Llano, Ph.D., Naples, Florida; Jane M. Packard, Ph.D., Texas A&M University; and Forrest G. Wood, San Diego, California. During 1985, several individuals completed their terms of service on the Committee. They were: David G. Ainley, Ph.D., Point Reyes Bird Observatory; Douglas G. Chapman, Ph.D. (former Chairman), University of Washington; Paul K. Dayton, Ph.D., Scripps Institution of Oceanography; Douglas P. DeMaster, Ph.D., National Marine Fisheries Service, Southwest Fisheries Center; Daryl P. Domning, Ph.D., Howard University; James G. Mead, Ph.D., National Museum of Natural History, Smithsonian Institution; and William Medway, D.V.M., Ph.D., University of Pennsylvania.

Funding

The Marine Mammal Commission came into existence during the second half of Fiscal Year (FY) 1974 and was appropriated $412,000 for that period. Subsequent appropriations were:

FY 75:	$750,000
FY 76:	$900,000
FY 77:	$1,000,000
FY 78:	$900,000
FY 79:	$702,000
FY 80:	$940,000
FY 81:	$734,000
FY 82:	$672,000
FY 83:	$822,000
FY 84:	$929,000
FY 85:	$929,000

In FY 1986, the Commission was appropriated $900,000. In its report on the appropriations, the Senate Appropriations Committee cited the need for adequate funding to allow the Commission to carry out its basic statutory responsibilities to affect national and international policies and actions related to marine mammals as well as to conduct a research program. The report cited the need to provide support to the Commission to allow it to develop and implement programs to protect endangered and threatened marine species, programs to facilitate the compilation and evaluation of data needed to make reliable stock determinations as an element in developing ecologically sound management strategies, and programs to improve methods and procedures for collecting and analyzing marine mammal data.

CHAPTER II

RESEARCH AND STUDIES PROGRAM

The Marine Mammal Protection Act requires that the Commission: maintain a continuing review of research programs conducted or proposed to be conducted under the authority of the Act; undertake or cause to be undertaken such other studies as it deems necessary or desirable in connection with marine mammal conservation and protection; and take every step feasible to prevent wasteful, duplicative research. To accomplish these tasks, the Commission: conducts an annual survey of Federally-funded marine mammal research; reviews and recommends steps that should be taken to prevent duplication and improve the marine mammal research programs conducted or supported by the National Marine Fisheries Service, the U.S. Fish and Wildlife Service, the Minerals Management Service, and other Federal agencies; convenes meetings and workshops to review, plan, and coordinate marine mammal research; and contracts for studies to help define and develop solutions to domestic and international problems affecting marine mammals and their habitats so as to facilitate and complement the other agencies' activities.

Survey of Federally-Funded Marine Mammal Research

Research directly or indirectly relevant to the conservation and protection of marine mammals and their habitats is conducted or supported by a broad range of Federal departments and agencies. To determine the precise nature of this research, to examine ways in which it can best be used to facilitate marine mammal conservation and protection, and to prevent wasteful duplication, the Commission annually requests and reviews information on the marine mammal research programs being conducted, supported, or planned elsewhere in the Federal Government.

In 1985, the Commission requested information from 21 Federal agencies and departments, at least 14 of which are known to be conducting or supporting research relevant to the conservation and protection of marine mammals. Those agencies and departments are the Department of Agriculture, the Department of State, the Minerals Management Service, the National Institutes of Health, the National Marine Fisheries Service, the National Marine Pollution Program Office, the

National Sea Grant College Program, the National Science Foundation, the Naval Ocean Systems Center, the Office of Ocean and Coastal Resource Management, the Office of Oceanography and Marine Assessment, the Office of Naval Research, the Smithsonian Institution, and the U.S. Fish and Wildlife Service. The Minerals Management Service, the National Marine Fisheries Service, and the U.S. Fish and Wildlife Service have had the largest and most diverse marine mammal research programs.

Information from the 1985 survey is due early in 1986. After it has been compiled and verified, the Commission, in consultation with its Committee of Scientific Advisors, will evaluate the information and make such recommendations as may be appropriate to better develop, focus, and coordinate agency programs.

Research Program Reviews, Workshops, and Planning Meetings

In 1985, the Commission, in consultation with its Committee of Scientific Advisors, reviewed, commented on, and/or made recommendations concerning: the tuna/porpoise, harbor porpoise, bottlenose dolphin, Hawaiian monk seal, North Pacific fur seal, Steller sea lion, bowhead whale, right whale, gray whale, and Antarctic marine living resources research programs being planned, conducted, or supported by the National Marine Fisheries Service; the research on southern sea otters, bowhead whales, gray whales, and other marine mammals being planned and supported by the Minerals Management Service; the manatee, sea otter, walrus, and polar bear research programs being conducted by the Fish and Wildlife Service; and the program being developed by the Air Force to verify predictions concerning Space Shuttle launch and landing effects on pinnipeds that haul out and breed on San Miguel Island. The Commission also convened, co-sponsored, or participated in meetings and workshops to: (1) describe research, education, and other programs necessary to better assess and resolve problems caused by lost and discarded fishing gear and other potentially hazardous marine debris; and (2) to better define and decide how best to meet essential information and management requirements relating to: bowhead whales; gray whales; right whales; porpoise affected by the yellowfin purse seine fishing in the eastern tropical Pacific; marine mammal/fisheries interactions in California coastal waters; polar bears; sea otters; walrus; and other marine mammals in Alaska; Mediterranean monk seals; and conservation of seals and whales in the seas surrounding Antarctica.

Commission-Sponsored Research and Study Projects

The Departments of Commerce and the Interior have primary responsibility under the Marine Mammal Protection Act for acquiring the biological and ecological data needed to protect and conserve marine mammals and the ecosystems of which they are a part. This responsibility has been delegated to the National Marine Fisheries Service and the Fish and Wildlife Service, respectively.

As noted earlier, the Commission convenes workshops and contracts for research and studies to identify and evaluate threats to marine mammal populations. It also supports, within its budget limitations, such other research as it deems necessary to further the purposes and policies of the Act. Since it was established, the Commission has contracted for 526 projects, ranging in amounts from several hundred dollars to $150,000. The average contract has been for about $7,500. The total amounts of contracts awarded have been: $258,787 in FY 1974; $446,628 in FY 75; $497,449 in FY 76; $132,068 in the FY 76-77 three-month transition period; $523,504 in FY 77; $407,678 in FY 78; $219,897 in FY 79; $396,640 in FY 80; $173,652 in FY 81; $107,117 in FY 82; $211,982 in FY 83; $327,854 in FY 84; and $226,160 in FY 85.[1]

From time to time, the Commission's investment in research activities is in the form of transfers of funds to other Federal agencies, particularly the National Marine Fisheries Service and the Fish and Wildlife Service. When such funds are transferred, the Commission provides detailed scopes of work which describe precisely what the agency is to do or to have done and the requirements for reporting on progress to the Commission. In many instances, this approach has made it possible for agencies to start needed research sooner than might otherwise have been possible and then to subsequently support the projects on their own for as long as necessary. The Commission believes that it is valuable to maintain agency involvement to the greatest extent possible and that such transfers provide a useful means of doing so.

Projects undertaken by the Marine Mammal Commission in 1985 are summarized below. In those cases in which the Commission has jointly supported the work with other agencies, it is so noted in the project summary.

Final reports from Commission-sponsored studies completed in 1985 and earlier are available from the National

---

[1] This includes $20,000 transferred to the Commission from the National Marine Pollution Office of the National Oceanic and Atmospheric Administration.

Technical Information Service; they are listed in Appendix B of this Report. Papers resulting from Commission-sponsored activities and published elsewhere are listed in Appendix C.

Survey of Federally-Funded Marine Mammal Research

(G. H. Waring, Ph.D., Southern Illinois University)

Each year the Commission identifies and publishes a report on the marine mammal research conducted or supported by other Federal agencies in the preceding fiscal year and that which is expected to be conducted or supported by those agencies in the current fiscal year. At the end of 1985, the contractor was preparing a report summarizing information being provided by the agencies on their Fiscal 1985 and Fiscal 1986 marine mammal research programs. The proof copy of this report, to be completed early in 1986, will be sent to the agencies to verify the accuracy of reported data on their marine mammal research programs. After verification, the Commission, in consultation with its Committee of Scientific Advisors, will review the report and, as appropriate, recommend actions to agencies for better developing, focusing, and coordinating their research programs. Copies of the final report will be provided to agencies conducting or supporting marine mammal research and will be available to other interested persons and organizations through the National Technical Information Service.

Update of the Commission's Bibliography of Selected Marine Mammal Literature

(R. R. Reeves, Okapi Wildlife Associates, Como, Quebec, Canada)

The Commission receives numerous requests from the general public for information about marine mammals and related conservation issues. To help respond to these requests, the Commission publishes an annotated bibliography of selected books, scientific papers, and other literature of general interest that generally can be found in public and university libraries. This contractor is revising and updating the bibliography which was last published in July 1981. The revision, expected to be completed early in 1986, will be available from the Commission on request.

Development of a Long-Range Plan to Protect and Conserve Marine Mammals in Alaska

(J. W. Lentfer, Juneau, Alaska)

A diverse assemblage of marine mammals inhabit the coastal waters of Alaska. Many of these species, some of which are hunted by Alaska Natives for subsistence purposes, are being or could be affected by coastal and offshore development, fisheries, and other human activities. The purpose of this project, begun in 1984, is to organize species-oriented working groups, comprised of informed representatives of relevant State agencies, Federal agencies, Native groups, the academic community, and public interest groups, to cooperatively undertake status reviews and develop recommended research and management plans for those species most likely to be affected by human activities (walrus, polar bear, sea otter, Steller sea lion, ringed seal, bearded seal, harbor seal, spotted seal, ribbon seal, and beluga whale). To facilitate the operation of these working groups, the Commission contracted with several experts (see below) to compile, synthesize, and evaluate available life history, demographic, and management data. By the end of 1985, draft reports on eight species had been completed and submitted to the working groups and to the Commission for review. Draft reports on the remaining two species are expected to be completed by the end of February 1986. Final species accounts, which will include recommended research and management programs, are expected to be completed by mid-1986. They are intended to provide useful guidance to the State and Federal agencies with research and management responsibilities for these species and will be incorporated into a comprehensive research and management plan.

Review of Information Concerning Steller Sea Lion and Harbor Seal Populations in Alaska

(A. A. Hoover, Pacific Rim Research, Seward, Alaska)

The contractor is compiling, synthesizing, and evaluating available information on the biology, demography, exploitation, and management of Steller sea lion and harbor seal populations in Alaska coastal waters. Draft reports submitted in August and September of 1985 indicate that both harbor seal and Steller sea lion populations are declining in certain areas of Alaska. While the causes of the decline are not known, it could be due to factors such as entanglement in lost and discarded fishing gear, entanglement in active fishing gear, and depletion of important food species as a result of fishing. The drafts were reviewed and currently are being revised to take account of comments and questions raised by members of the Commission, its Committee of Scientific Advisors, and members of the species working groups constituted pursuant to the preceding contract. The final species reports, expected to be completed by mid-1986, will contain recommendations on priority research and management needs.

Review of Information Concerning Bearded and Spotted Seal Populations in Alaska

(University of Alaska, Arctic Environmental Information and Data Center, Anchorage, Alaska)

The contractor is compiling, synthesizing, and evaluating available data on the biology, demography, exploitation, and management of bearded and spotted seal populations in Alaska coastal waters. In August 1985, a draft report was completed and sent to working group members and the Commission for review and comment. Although the draft report indicates that Soviet and U.S. subsistence harvests are a significant source of bearded and spotted seal mortality in the Bering and Chukchi Seas, these populations appear sufficiently large to sustain current harvest levels without causing substantial declines. The draft report also notes that Bering Sea fisheries may affect and be affected by bearded and spotted seals and that planned oil and gas exploration and development in the Bering and Chukchi Seas could harm both species. The final report, expected to be completed by mid-1986, will contain recommendations on priority research and management actions. It will be included in the comprehensive research and management plan on Alaska marine mammals.

Review of Information Concerning Ringed and Ribbon Seals in Alaska

(B. P. Kelly, Institute of Marine Science, University of Alaska, Fairbanks, Alaska)

The contractor is compiling, synthesizing, and evaluating available data concerning the biology, demography, exploitation, and management of ringed and ribbon seal populations in Alaska coastal waters. A draft report on ringed seals, with research and management recommendations, was completed and sent to working group members and the Commission for review and comment in October 1985. A draft report on ribbon seals will be distributed for review in January 1986. The draft ringed seal report indicates that ringed seals have been harvested for thousands of years by Eskimos throughout the Arctic rim, that knowledge of ringed seal population dynamics is limited because of the species' wide distribution in mostly ice covered areas and that, while the best available population estimates suggest that subsistence harvesting or other activities are not causing population declines, the estimates are based upon a number of unverified assumptions. Both reports are expected to be in final form early in 1986 for inclusion in the comprehensive research and management plan for Alaska marine mammals.

Review of Information Concerning Beluga Whales in Alaska
(K. W. Hazard, Juneau, Alaska)

The contractor is compiling, synthesizing, and evaluating available data concerning the biology, demography, exploitation, and management of beluga whales in Alaska coastal waters. A draft report was sent to the Commission and members of the beluga whale working group in October 1985 for review. The draft report indicates that abundance in some areas is far below historical levels, due probably to poorly documented subsistence harvests, and that salmon and other fisheries in areas such as Bristol Bay affect and are affected by beluga whales. The final report, to be completed in mid-1986, will incorporate recommendations on research and management needs and will be a part of the comprehensive research and management plan for Alaska marine mammals.

Update of 1978 Report on World Catches of Marine Mammals 1966-1975
(R. R. Reeves, Okapi Wildlife Associates, Como, Quebec, Canada)

In 1976 and 1977, the Commission funded a project to compile and summarize information on worldwide catches of marine mammals. The project report, published by the National Technical Information Service in January 1978, included information on worldwide catches of cetaceans, pinnipeds, and other marine mammals for the years 1966 through 1975. Under the present contract, the contractor is beginning to compile information on world catches of marine mammals since 1975 in order to update the 1978 report. The balance of funding necessary to finish the project is expected from the United Nations Environment Programme. The updated report itself should be finished in 1987. As with the past report, it should prove useful in evaluating the effectiveness of marine mammal conservation programs in other countries and for identifying additional conservation needs.

Atlas of Baleen Whale Catch Distribution in the Southern Ocean
(National Marine Mammal Laboratory, Seattle, Washington)

From 1931 to 1980, a combined total of more than one million blue, fin, sei, minke, and humpback whales were taken from the Southern Ocean, the seas surrounding Antarctica. During 1985, the Commission and the National Marine Fisheries Service jointly supported this effort to produce a series of computer-generated maps depicting the locations of catches by species, month, and year. The resulting maps, which have been incorporated into a "Preliminary Atlas of Balaenopterid Whale Distribution in the Southern Ocean," indicate striking differences in the latitudinal distribution of catches of the different species, suggesting species-specific differences in distribution patterns and/or periodic shifts in the geographic focus of whaling operations. Further analysis of the maps and related data sets currently being carried out by National Marine Mammal Laboratory scientists may indicate likely feeding areas, breeding areas, or other areas of similar biological importance that may merit special protection. If so, the Commission will work with the Department of State and the National Marine Fisheries Service to see that appropriate conservation measures are adopted internationally under the International Convention for the Regulation of Whaling and the Convention on the Conservation of Antarctic Marine Living Resources.

Special International Whaling Commission Publication on Right Whales

(International Whaling Commission)

Although commercial harvesting of right whales has been prohibited for approximately 50 years, right whale populations remain at extremely low levels and there is uncertainty as to whether they are increasing, decreasing, or remaining stable. At its 1982 meeting, the Scientific Committee of the International Whaling Commission recommended that a workshop be held to assess available data on the status of various right whale populations, particularly those in the Okhotsk Sea and Sea of Japan, the northwest Atlantic, the southwest Atlantic, and the South Pacific. The workshop, sponsored by the Marine Mammal Commission, the International Whaling Commission, and several other organizations, was held at the New England Aquarium in June 1983. Money was not available to publish the workshop report or the more than 25 scientific background papers prepared for this meeting. Under this contract, partial funding was provided to publish the papers in a special IWC Volume on Right Whales to be available in the summer of 1986. This will ensure that those data, models, and analyses considered by the workshop participants are readily accessible to scientists, administrators, and the interested public throughout the world. Such information also can assist U.S. efforts in management of the closely related bowhead whale (see Chapter VIII of this Report).

Southeast Atlantic Right Whale Workshop

(The Georgia Conservancy, Savannah, Georgia)

Available data indicate that at least part of the small, remnant population of right whales in the western North Atlantic inhabits the coastal waters of Georgia and northeastern Florida during the winter months. They also indicate that these waters may be the population's principal calving ground. At this workshop, to be held 18-20 February 1986, participants will review steps that have been and are being taken to protect right whales and possibly critical right whale habitats in the coastal waters of the southeastern United States. They will identify additional research, monitoring, and protective measures that may be required to protect and encourage recovery of the population. The workshop report will be used by the Marine Mammal Commission, in consultation with its Committee of Scientific Advisors, as a key background document in recommending measures that responsible regulatory agencies should take to better protect right whales and their habitat in U.S. waters.

Reproductive Parameters and Status of the Western Arctic Bowhead Whale Population
(SOHIO Petroleum Company)

The small remnant population of bowhead whales in the Western Arctic, important to the subsistence and cultural heritage of Alaska Eskimos, could be adversely affected by oil and gas exploration and development in Arctic coastal waters. The purpose of this project, supported cooperatively by the Marine Mammal Commission, the National Marine Fisheries Service, and several U.S. oil companies, is to obtain more reliable information on the distribution, size, age structure, and annual calf production of the western Arctic bowhead population. Photographs of bowhead whales taken during aerial surveys conducted in the fall of 1985 are now being analyzed with the survey data to estimate abundance and to identify and determine the relative lengths (ages) of individual whales. Preliminary study results, which should be available in the spring of 1986, will help in assessing the adequacy of and continuing need for existing monitoring programs and regulatory measures.

Survey of Humpback Whales Wintering in Hawaiian Coastal Waters
(P. H. Forestell, University of Hawaii, Honolulu, Hawaii)

A substantial proportion of the North Pacific humpback whale population inhabits Hawaiian coastal waters during the winter months (December-March). Although the number, distribution, and movements of these whales are not well documented, there is increasing concern that recreational boating and other activities in certain areas are having a significant adverse effect on the whales. Since the National Marine Fisheries Service had been unable to either conduct or support needed research and monitoring programs, the Marine Mammal Commission, as an interim measure, provided funds for the contractor to carry out biweekly aerial surveys from January through April 1985. The purposes were (1) to determine the distribution and numbers of humpback whales in the nearshore waters of the Hawaiian Islands of Molokai, Lanai, Kahoolawe, and Maui, and (2) to note the frequency of occurrence of boats within one-quarter mile of individual humpback whales or groups of whales. The results of this survey and the study described below, will be examined by the Commission, in consultation with its Committee of Scientific Advisors, to determine what, if any, additional measures may be necessary to protect humpback whales and their habitat in Hawaiian coastal waters.

Review of Existing Information and Programs Bearing on the Protection of Humpback Whales and their Habitat in Hawaii

(R. T. Tinney, Washington, D.C.)

As noted above, it is not clear how recreational boating and other activities may be affecting humpback whales and their habitat in Hawaii. Nor is it clear what measures could or should be taken to prevent or mitigate adverse impacts. Under this contract, existing regulatory authorities, monitoring and enforcement programs, and data concerning possible interactions between whales and humans in Hawaiian coastal waters are being reviewed and evaluated. The report should be finished by May 1986. The Commission, in consultation with its Committee of Scientific Advisors, will review the report to help in determining what additional actions may be needed to adequately protect the whales and their habitat without unduly restricting economic development.

Survey of Gray Whales in San Ignacio Lagoon, Baja California, Mexico

(S. L. Swartz, Cetacean Research Associates, San Diego, California)

Census and other data collected in conjunction with gray whale acoustic studies conducted by National Marine Fisheries Service scientists in San Ignacio Lagoon in 1983 and 1984 indicated that fewer whales, particularly females with calves, appeared to be wintering in the lagoon than in the previous five years. They also indicated that winter vessel traffic within the lagoon had increased significantly between 1982 and 1983. Because the National Marine Fisheries Service was unable to support follow-up studies in 1985, the Marine Mammal Commission provided funds for the contractor to conduct periodic surveys in February, March, and April 1985 in an effort to determine the distribution and numbers of gray whales in the lagoon and whether the distribution and abundance were being affected by vessel traffic associated with fishing, research, or other activities. Preliminary analysis of the results indicates that fewer females with calves were present in 1985 than during the 1978-82 period and that the decline was greatest in the upper lagoon where development of a scallop fishery caused a significant increase in vessel traffic in 1982 and 1983. The final report and the report of the workshop described below are both expected early in 1986. They will be reviewed by the Marine Mammal Commission, in consultation with its Committee of Scientific Advisors, to determine if additional research, educational, or regulatory measures may be needed to effectively conserve gray whales and their essential habitats in the eastern Pacific.

Workshop on Gray Whale Research Needs and Opportunities

(S. L. Swartz, Cetacean Research Associates, San Diego, California)

Gray whales annually migrate along the west coast of the United States between the summer feeding grounds in the Bering and Chukchi Seas and the winter breeding and calving grounds in the lagoons of Baja California. More than 150 gray whales are being taken each year by a directed Soviet hunt in the Chukchi Sea, and, in a number of areas, fishery development, whale watching, offshore oil and gas exploration and development, and other activities may be affecting both the whales and the habitats essential to their survival. The purposes of this workshop, held in Monterey, California, on 16-18 October 1985, were: (1) to review and evaluate data, models, and procedures being used to assess the status of the eastern Pacific gray whale population and (2) to describe research that should be carried out over the next five years to better monitor population trends and detect unforeseen or cumulative effects of human activities throughout the population's range. The workshop report will be reviewed by the Commission, in consultation with its Committee of Scientific Advisors, early in 1986. As appropriate, the Commission will use it in advising the National Marine Fisheries Service and the Minerals Management Service on measures needed to better monitor and conserve the eastern Pacific gray whale population.

Field Tests of Cetacean Radio Tags

(J. A. Guerrero, Moss Landing Marine Laboratories, Moss Landing, California)

If functioning properly and attached safely and securely, radio tags can help to obtain needed information on the behavior, activity patterns, and movements of cetaceans and other marine mammals. The purpose of this study, conducted in May and June 1985, was to field-test radio tags and different attachment techniques to determine whether radio tags could serve to enhance studies of the movements, activity patterns, and feeding behavior of gray whales in the southeastern Bering Sea. Preliminary findings are that attachments using probes that penetrate the whale's skin are more effective than suction cup attachments, and that radio tags attached with either technique provide useful data. The report, expected to be available early in 1986, will help in describing the next steps needed to develop a safe and effective system for radio tagging and tracking gray whales.

Monitoring Gill and Trammel Net Fisheries in Central California

(California Marine Mammal Center, Fort Cronkhite, California)

Since June 1982, there has been a substantial increase in gill and trammel net fisheries off San Mateo, San Francisco, Marin, and Sonoma Counties in California. The concurrent increase in numbers of dead harbor porpoise, harbor seals, and sea birds washing up on the beaches of the four-county area suggests that a variety of marine mammals and sea birds are being caught incidentally during fishing operations. In 1983, the California Department of Fish and Game started a fishery observer program to better assess the fisheries and the incidental take of marine mammals and sea birds. Unfortunately, program development was constrained by funding limitations, hiring freezes, and State policies concerning employment of temporary personnel. Therefore, the Marine Mammal Commission provided money to hire suitably qualified observers for the 1985 and, to the extent possible, the 1986 fishing seasons to augment the State's program. Information obtained by the observers will be used to help determine whether changes in fishing gear, fishing practices, fishing regulations, or some combination of these may be necessary to prevent or reduce incidental take of non-target species.

Recovery and Necropsy of Marine Mammal Carcasses In and Near the Point Reyes National Seashore

(R. L. Deiter, D.V.M., Mobile Veterinary Service, Bolinas, California)

The contractor is examining and, when possible, doing thorough necropsies of marine mammal carcasses found washed up on the beaches of the Point Reyes National Seashore. From 1 January 1985 to 17 October 1985, thirteen California sea lions, eleven harbor seals, three harbor porpoise, and one Steller sea lion were found dead between Bodega Bay and Fort Funston, San Francisco. Of those for which the cause of death could be determined, seven apparently died from shooting, three from entanglement in gill nets, and one from being struck by a boat propeller. The final report, due in February 1986, will be used in assessing the effectiveness of existing measures and the possible need for other steps to prevent the incidental take and malicious shooting of marine mammals.

Shore-based Observations of Gill and Trammel Net Fisheries in the California Sea Otter Range

(M. E. Henry, Los Osos, California)

Observations made by California Department of Fish and Game personnel and others since 1982 indicate that significant numbers of sea otters have been caught and killed in California set net fisheries and that this incidental take may be responsible for the failure of the California sea otter population to grow measurably since the early 1970s. Although the California Department of Fish and Game and the Fish and Wildlife Service have supported observer programs in recent years, the level of effort has been insufficient to obtain reliable estimates of the numbers of sea otters and other marine mammals being killed in these fisheries. This contractor made shore-based observations of set net fisheries at times and in places not adequately covered by other observers. From June through September 1985, the contractor observed 203 nets being pulled and documented the incidental catch of four, possibly, five sea otters, sixty-four harbor seals, nine California sea lions, one elephant seal, one harbor porpoise, and three pinnipeds that could not be identified. These observations indicate that new State regulations prohibiting set net fishing in waters less than 15 fathoms within the sea otter range have not eliminated incidental take problems.

Photographic Survey of Kelp Canopies in the California Sea Otter Range

(R. F. VanWagenen, Freedom, California)

The distribution and behavior of sea otters are related to the distribution, density, species composition, and seasonal changes in kelp canopies. In 1983, Fish and Wildlife Service scientists began periodic surveys of kelp canopies in the California sea otter range to document seasonal and annual changes in the kelp canopy and to better determine the relationship between seasonal changes in kelp canopies and seasonal changes in the distribution and behavior of sea otters in California. In 1985, there was an unexpected funding shortfall, and the Marine Mammal Commission supported a late-summer photographic survey of nearshore kelp canopies from Pigeon Point to Pismo Beach, California, to maintain continuity of observations. The photographs and flight report, provided to Fish and Wildlife Service scientists in October 1985, are now being analyzed. The information gained will be useful in designing future sea otter censuses and in better determining the effects of sea otters, storms, and other environmental factors on kelp distribution and dynamics.

Manatee Mortality and Movements Subsequent to Record Breaking Cold Weather in Florida

(Sirenia Project, Denver Wildlife Research Center, Denver, Colorado)

During January and February 1985, record breaking cold weather caused significant increases in mortality of the endangered manatee as well as shifts in manatee distribution in several parts of Florida. To accurately document the effects of the cold weather, the Marine Mammal Commission helped pay for unusual expenses incurred in recovering and doing necropsies on 32 dead manatees -- more than double the number usually recovered during this period in an average year. Commission funding also made it possible to document the movements of manatees relative to water temperature in the Fort Myers area. Knowledge gained will be useful in assessing how manatee population dynamics may be affected by severe weather conditions and in determining steps that might be taken to mitigate the effects of unusually cold temperatures.

Investigation of Possible Sightings of Caribbean Monk Seals

(C. A. Woods, Ph.D., Florida State Museum, Gainesville, Florida)

Although there have been no verified sightings of Caribbean monk seals for nearly 30 years and many consider the species extinct, there has been at least one unconfirmed sighting off the north coast of Haiti in the past four years. The investigator is interviewing fishermen and other residents of that area to assess the reliability of this sighting as well as the nature, frequency, locations, and reliability of any other recent sightings in the area. If the interviews indicate that monk seals may still be extant, the Commission will work with the National Marine Fisheries Service and the Department of State to see that appropriate steps are taken to protect the seals and the habitats in which they survive.

Examination of Carcasses of the Endangered Gulf of California Harbor Porpoise

(L. T. Findley, Ph.D., Instituto Technologica y de Estudios, Guaymas, Sonora, Mexico)

The vaquita or Gulf of California harbor porpoise is a rare and endangered species whose range appears to be limited to the northern Gulf of California. In the spring of 1985, seven animals were caught and killed incidental to fishing operations in the northern Gulf. The Marine Mammal Commission paid for postmortem examinations of these animals. There are only about 40 confirmed records of the species, and the examinations contributed substantially to knowledge of the species' morphology and probable life history. In addition, Commission support of this study made it possible to train several students in methods of small cetacean identification, collection, and museum preparation.

Compilation of Information on the Sources, Fates, and Effects of Marine Debris

(B. Heneman, Bolinas, California)

As described in Chapter VI, substantial numbers of marine mammals and other marine organisms are dying as a result of either becoming entangled in or ingesting various sorts of plastics and other marine debris. The problem was first recognized and has been investigated primarily in the North Pacific Ocean. One objective of this project, supported cooperatively by the Marine Mammal Commission and the National Marine Pollution Program Office of the National Oceanic and Atmospheric Administration, is to obtain available information concerning the sources, fates, and effects of potentially hazardous marine debris in the northwest Atlantic, the North Sea, the Gulf of Mexico and Caribbean Sea, and the west coast of Baja California. Another objective is to determine what measures, if any, are being taken by nations in these areas to document and prevent or mitigate problems being caused by marine debris. The project report, to be done by January 1987, will be of use in determining what actions should be taken domestically or internationally to address marine debris problems more effectively.

Public Awareness and Beach Clean-Up

(Oregon Wildlife Heritage Foundation, Portland, Oregon)

Participants in the Workshop on the Fate and Impact of Marine Debris (Hawaii, 27-29 November 1984) concluded that effective resolution of problems caused by marine debris would require, among other things, removal of potentially hazardous materials accumulating on beaches and education of those responsible for discarding potentially hazardous materials at sea and on beaches. Towards this end, the Oregon Wildlife Heritage Foundation organized volunteer programs to clean up beaches in Oregon, Washington, California, and the New England states as well as to make the general public more aware of problems being caused by plastic bags, plastic "six pack" holders, and other non-degradable debris. The Marine Mammal Commission made the initial commitment of funds in 1985 to start the project. The report, expected in the spring of 1986, will be reviewed by the Commission, in consultation with its Committee of Scientific Advisors, to assess the worth of such programs as instruments of public information, as sources of information on the types, quantities, and distribution of beach-cast plastics, and as a determinant in selection of methods to address the problem.

Training of Animal and Plant Health Inspection Service Inspectors

(J. R. Geraci, D.V.M., Ph.D., Ontario Veterinary College, University of Guelph, Ontario, Canada)

As noted in Chapter X, a three-day seminar was held in Florida on 9-12 April 1985 to train veterinarians of the Animal and Plant Health Inspection Service, Department of Agriculture, in the art and science of inspecting marine mammal holding facilities. The training was given to assist veterinarian inspectors in interpreting and enforcing the Service's standards and regulations as well as in assessing the health of captive marine mammals. The contractor provided instruction and answered questions about the general anatomy, physiology, feeding, nutrition, diseases, and general care of marine mammals held captive for public display and scientific research. The specialized training enables inspectors to better detect and suggest measures to correct problems in maintenance and husbandry that may jeopardize the welfare of captive marine mammals.

Assessment of Marine Research Needs in the Arctic and Sub-Arctic Seas

(Polar Research Board, National Academy of Sciences)

The Polar Research Board of the National Academy of Sciences was asked by the National Science Foundation (lead agency for implementing the Arctic Research and Policy Act of 1984) to help develop a comprehensive five-year plan for Federal research in the Arctic. The plan is to include an assessment of national needs and problems regarding the Arctic. In partial response, the Polar Research Board constituted an ad hoc committee to review past and ongoing marine research programs in the Arctic and the sub-Arctic, identify major information gaps and priority research needs, and describe the research areas that could be fruitfully addressed using new technological advances and a dedicated polar research ship. Funding for travel, support services, report preparation, and related activities is being provided by a variety of Federal agencies and private groups including the Marine Mammal Commission, the National Science Foundation, and the Mellon Foundation. The report will be used to help develop a coordinated, national plan for Arctic research.

Bibliography of Documents Relating to Marine and Coastal Habitat Protection

(Environmental Defense Fund, Washington, D.C.)

Effective, long-term conservation of marine mammals will depend to a great extent on identification and protection of feeding areas, breeding areas, and other habitat of similar importance. The contractor is to prepare a comprehensive bibliography of domestic authorities, international authorities, and other published material that bear on the protection of marine and coastal areas. In the process, a determination will be made as to whether any published material satisfactorily summarizes all available means of protecting habitat as well as the relative strengths and weaknesses of each approach. The Commission, in consultation with its Committee of Scientific Advisors, will use the report as the starting point for such a review if one is needed as well as in refining its strategy for identifying and protecting important marine mammal habitats.

Science and Marine Mammal Conservation

(Society for Marine Mammalogy)

A symposium on "Science and Marine Mammal Conservation" was held at the Society for Marine Mammalogy's Sixth Biennial Conference on the Biology of Marine Mammals, 22-26 November 1985, in Vancouver, Canada. Papers covered a variety of subjects including: implications of physiological research on captive marine mammals, detecting and assessing the effects of environmental pollutants, determining the nature and effects of competition between seals and commercial fisheries in the North Atlantic and the Antarctic, scientific requirements for the long-term conservation of whales, and the use of captive marine mammals in behavioral studies. The papers address important subject areas, and the Commission provided funds to help ensure their prompt publication and dissemination.

Estimating Recovery Times for Depleted Marine Mammal Populations

(D. Goodman, Ph.D., Montana State University, Bozeman, Montana)

An objective of the Marine Mammal Protection Act is to prevent depletion of marine mammal populations while facilitating the recovery of those populations that have been depleted as a result of human activities. The contractor is developing a stochastic population model that uses information on population growth rates, level of take, and current and desired population levels to estimate the likelihood that a depleted population will survive and recover, given various levels of take. The model should help scientists and managers better assess the possible consequences of different management strategies with regard to the time needed for exploited populations to recover to desired levels. It should be particularly relevant for managing bowhead whales, monk seals, manatees, and other endangered marine mammals.

Analysis of Cloned Dolphin Mitochondrial DNA

(S. O. Lucas, Ph.D., Scripps Institution of Oceanography, La Jolla, California)

Variation in mitochondrial DNA may be useful for determining whether local concentrations of dolphins, pinnipeds, and other marine mammals constitute independent breeding populations or are part of larger breeding populations -- an important consideration in providing adequate protection. The objectives of this project, completed in June 1985, were to: characterize mitochondrial DNA from two dolphin species using restriction mapping; map the mitochondrial DNA from the two dolphin species using characterized human mitochondrial genes as genetic probes; and, as possible, test and use cloned dolphin mitochondrial DNA as a radio labeled hybridization probe to determine divergence between different populations and species of dolphins and other cetacea. The project results were promising, and the investigator has provided cloned dolphin mitochondrial DNA to other investigators to facilitate research directed at determining the discreteness of apparently local and regional populations of bottlenose dolphins and other marine mammals.

Electrophoretic Evaluation of Tissue Samples from Spinner and Spotted Dolphins

(A. W. Erickson, Ph.D., Fisheries Research Institute, University of Washington, Seattle, Washington)

Electrophoresis can be used to detect certain types of protein polymorphisms and, like the analysis of mitochondrial DNA, may be useful for determining the relative discreteness of local concentrations of dolphins and other marine mammals. The investigator is electrophoretically evaluating tissue samples from spinner and spotted dolphins killed incidentally in the eastern tropical Pacific. If one or more protein polymorphisms are detected, they may be useful for determining the relative discreteness of spinner and spotted dolphin stocks in different geographic areas.

Special Research Concerns for FY 1986

As noted in other parts of this Report and in previous Annual Reports, substantial additional research is needed to more effectively assess and determine how best to deal with a number of problems affecting the conservation and protection of marine mammals worldwide. Among other points, additional research is needed to:

- -- determine the cause of the continuing decline of certain fur seal, harbor seal, and Steller sea lion populations in the North Pacific and the Bering Sea;
- -- better determine the nature, scope, and possible solutions to problems being caused by lost and discarded fishing gear and by other potentially hazardous and persistent debris;
- -- test and evaluate possible non-lethal means for avoiding or reducing marine mammal/fisheries conflicts; and
- -- develop better methods for assessing and monitoring marine mammal populations and habitats.

As noted at the beginning of this chapter, agencies such as the National Marine Fisheries Service, the Fish and Wildlife Service, and the Minerals Management Service have primary responsibility for assuring that needed research is done. In FY 1986, the Commission will continue, within its funding constraints, to convene workshops, to hold planning meetings, and to contract for studies to help define and develop solutions to these and other problems. In particular, the Commission hopes to: (1) support such additional efforts as may be necessary to complete development of a comprehensive research and management plan for species of marine mammals in Alaska; (2) organize and convene workshops, program reviews, and/or planning meetings to describe and agree upon actions necessary to (a) resolve marine mammal/fisheries conflicts in California, (b) identify and determine how best to eliminate or mitigate the cause of the continuing decline of the Pribilof Islands fur seal population, (c) facilitate the successful propagation of bottlenose dolphins and other marine mammals in captivity; (3) invest in efforts to better determine the nature and scope of conservation problems being caused by lost and discarded fishing gear and other persistent marine debris; (4) support innovative studies, such as further evaluation of the potential use of mitochondrial DNA for determining the relative discreteness of local concentrations of bottlenose dolphins and other marine mammals; and (5) begin a radio-tagging and tracking study to assess the effects of interactions between harbor porpoise and set net fisheries off central California.

CHAPTER III

INTERNATIONAL ASPECTS OF MARINE MAMMAL PROTECTION AND CONSERVATION

Section 108 of the Marine Mammal Protection Act directs that the Departments of Commerce, the Interior, and State, in consultation with the Commission, seek to further the protection and conservation of marine mammals under existing international agreements and take such initiatives as may be necessary to negotiate additional agreements required to achieve the purposes of the Act. In addition, Section 202 of the Marine Mammal Protection Act directs that the Marine Mammal Commission recommend to the Secretary of State and other Federal officials appropriate policies regarding existing international arrangements for the protection and conservation of marine mammals.

The Commission's activities in 1985 with respect to conservation and protection of marine mammals in the Southern Ocean, the International Whaling Commission, the Interim Convention on Conservation of North Pacific Fur Seals, and the Convention on International Trade in Endangered Species of Wild Fauna and Flora are discussed below.

Conservation and Protection of Marine Mammals in the Southern Ocean

At least thirteen species of seals and whales inhabit or are present seasonally in the Southern Ocean, the seas surrounding Antarctica. Although several of these species have been brought to near-extinction by unregulated or poorly regulated sealing and whaling, direct threats from commercial exploitation have been eliminated, at least for the immediate future. No commercial sealing has occurred in the Antarctic for more than twenty years. However, were it to resume, it would be regulated under the Convention for the Conservation of Antarctic Seals, which entered into force in March 1978. With respect to whales, a moratorium on commercial whaling is scheduled to begin in 1986. This is discussed in the next section. Serious threats could be posed, however, by developing fisheries, particularly the fishery for Antarctic krill (Euphausia superba), and growing interest in possible offshore oil and gas resources. These activities could in fact constitute more serious long-term threats to marine mammals and other components of the Southern Ocean ecosystem than the direct harvests of the past.

As noted in previous Commission reports, Antarctic krill occupies a central role in the Southern Ocean food web. It is one of the dominant herbivores and the principal component in the diets of numerous species including: fin, blue, humpback, and minke whales; crabeater and Antarctic fur seals; Adelie, chinstrap, macaroni, and rockhopper penguins; several other sea birds; and several species of fish and squid. Some of these species are eaten in turn by sperm whales, killer whales, leopard seals, and other higher order predators.

Because of the possible direct and indirect effects of fisheries and offshore oil and gas development on marine mammals, the Marine Mammal Commission has, since 1974, undertaken a continuing review of matters that might affect krill or other important components of the Southern Ocean ecosystem. It has made numerous recommendations on the need for basic and directed research and monitoring programs, and for international agreements to effectively regulate fisheries and offshore oil and gas exploration and development in the Southern Ocean. Activities before 1984 have been reported in previous Annual Reports. A brief summary of these earlier activities as well as a description of 1985 activities are provided below.

Activities Related to Living Resources

Parties to the Antarctic Treaty recognized the potential adverse effects of the developing krill fishery and other fisheries on the Antarctic marine ecosystem and, at the IXth Antarctic Treaty Consultative Meeting held in London in 1977, agreed that a Special Consultative Meeting should be held to elaborate a regime which would provide for the effective conservation of all living resources in the Antarctic marine ecosystem. Negotiation of the regime was initiated at a Special Consultative Meeting in Canberra, Australia, in February and March 1978 and was continued at formal and informal sessions held in Buenos Aires, Argentina (July 1978); Washington, D.C. (September 1978); Bern, Switzerland (March 1979); and Washington, D.C. (September-October 1979). The resulting regime -- the Convention on the Conservation of Antarctic Marine Living Resources -- was concluded at a Diplomatic Conference held in Canberra in May 1980 and came into force on 7 April 1982. To carry out its objectives, the Convention establishes the Commission and the Scientific Committee for the Conservation of Antarctic Marine Living Resources and a Secretariat to support both, all headquartered in Hobart, Tasmania, Australia.

The Marine Mammal Commission's activities regarding the otiations and the first three meetings of the Commission and the Scientific Committee established by the Convention are described in previous Annual Reports, particularly those for 1980, 1982, 1983, and 1984.

Meeting of the Ad Hoc Working Group on Ecosystem Monitoring -- At its third annual meeting, which was held in Australia in September 1984, the Scientific Committee for the Conservation of Antarctic Marine Living Resources established an *ad hoc* working group to formulate and recommend actions for planning, implementing, and coordinating multi-national research programs necessary to effectively assess and monitor key components of the Antarctic marine ecosystem. This group met at the Northwest and Alaska Fisheries Center, Seattle, Washington, on 6-11 May 1985. Commission representatives participated in the meeting and the Commission's Scientific Program Director chaired a subgroup on pinnipeds, seabirds, and cetaceans. The meeting report[1], which was accepted and endorsed by the full Scientific Committee at its fourth meeting (see below), identified six species (crabeater and Antarctic fur seals; Adelie, chinstrap, and macaroni penguins; and minke whale) most likely to be useful indicators of the indirect or second order effects of krill harvesting. The report recommended that high priority be placed on the initiation of integrated ecosystem monitoring programs in three areas -- Prydz Bay, the Bransfield Strait, and the area around South Georgia Island.

The Fourth Meetings of the Commission and Scientific Committee Established under the Convention on the Conservation of Antarctic Marine Living Resources -- The fourth annual meetings of the Commission and the Scientific Committee for the Conservation of Antarctic Marine Living Resources were held in Australia, 2-13 September 1985. To help prepare for these meetings and facilitate development of the research plan required by the legislation implementing the Antarctic Marine Living Resources Convention (see below), the National Marine Fisheries Service, in consultation with the Marine Mammal Commission, the Department of State, and the National Science Foundation convened an *ad hoc* group of U.S. scientists in Rhode Island on 24-25 June 1985. At the meeting, information and views were sought and exchanged on scientific and technical issues on the agenda for the 2-13 September Convention meetings and on research which the U.S. should carry out to facilitate implementation of the Convention. Marine Mammal Commission representatives helped to prepare for and participated in the June preparatory meeting, as well as the September meetings of the Antarctic Living Resources Commission and Scientific Committee.

---

[1] This and other reports of the Commission and the Scientific Committee for the Conservation of Antarctic Marine Living Resources can be obtained from: The Executive Secretary, Commission for the Conservation of Antarctic Marine Living Resources, 25 Old Wharf, Hobart, Tasmania, 7000, Australia.

During their September 1985 meetings, the Antarctic Living Resources Commission and Scientific Committee considered a wide range of issues including: measures needed to better assess and conserve exploited fish stocks; data requirements and possible methods for assessing and monitoring the status of krill stocks; the status and role of squid in the Antarctic marine ecosystem; development of a coordinated, multi-national plan for ecosystem monitoring; and measures needed to detect and avoid accidental or incidental take of non-target species. Although absence of detailed catch and effort data limited the types of analyses that could be done, it was determined that several fish stocks, particularly the Notothenia rossii stock in the South Georgia area, had been severely overfished and that additional conservation measures were needed to protect and permit recovery of the stocks. Accordingly, the Commission adopted measures prohibiting directed fishing for Notothenia rossii around South Georgia and limiting the by-catch of Notothenia rossii in directed fisheries for other species around South Georgia. The Commission also recommended, as a precautionary measure, that all parties refrain from directed fisheries for Notothenia rossii in the vicinity of the Antarctic peninsula and around the South Orkney Islands and that the by-catch of Notothenia rossii in directed fisheries for other species in these areas be reduced to the lowest level possible.

Catches of Antarctic krill have declined from an estimated high of about 528,000 tons in the 1981/82 fishing season to about 128,000 tons in the 1983/84 fishing season, apparently due to technical problems related to processing and marketing of krill. These problems no doubt can be solved and, when this happens, the Antarctic krill fishery very likely will expand. To be better prepared if this happens, the Scientific Committee has initiated a study, expected to be completed in April 1987, to determine whether and how krill catch and effort data may be combined with independent survey data in order to obtain reliable indices of krill abundance.

Data considered during the September meetings indicate that there currently are commercial squid fisheries in several areas immediately north of the Convention Area but none in the Convention Area itself. The Soviet delegation indicated that there are significant differences in the species composition and the distribution of squid north and south of the Antarctic Convergence, and, because of this difference, they thought it unlikely that a significant squid fishery would develop in the Convention Area in the foreseeable future. However, squid is a key component in the diets of several seal, whale, and seabird species, and, for this reason, the Scientific Committee urged that research on squid biology and ecology be strongly encouraged.

The Scientific Committee considered and endorsed the report from the meeting of the Ad hoc Working Group on Ecosystem Monitoring, which, as noted earlier, had met in the United States on 6-11 May 1985. The Committee recognized the need to assess and monitor selected non-target species, such as seals, seabirds, and whales, as well as the need to assess and monitor harvested species such as krill, fish, and squid. It recommended that a permanent working group be established to design, recommend, coordinate, and ensure the continuity of an effective, multi-national ecosystem monitoring program.

An intersessional meeting of the Working Group on Ecosystem Monitoring will be held in La Jolla, California, in late June or early July 1986. Since Working Group actions will profoundly affect efforts to implement the Convention, the Marine Mammal Commission is consulting with the National Marine Fisheries Service to facilitate preparation of working papers on: (1) possible use of satellites for monitoring oceanographic and ice features; (2) management of integrated, multi-disciplinary data bases for large ecosystems; (3) use of models for developing and evaluating research and management strategies; and (4) methods for sampling key ecosystem components including phytoplankton, seals, whales, and birds. The Commission also will be working with the National Marine Fisheries Service, the Department of State, and other appropriate agencies to develop positions and working papers on issues to be considered during the fifth meetings of the Antarctic Living Resources Commission and Scientific Committee in Australia, 8-19 September 1986.

Development of a Directed U.S. Antarctic Marine Living Resources Research Program -- In late 1984, the Congress passed and the President signed into law the Antarctic Marine Living Resources Convention Act of 1984. This Act establishes the domestic authority necessary to allow the United States to fully participate in and comply with the terms and provisions of the Convention on the Conservation of Antarctic Marine Living Resources. The Act, among other things, directs that the Secretary of Commerce, in consultation with the Secretary of State, the Director of the National Science Foundation, and appropriate officials of other Federal agencies, such as the Marine Mammal Commission, prepare and annually update a plan for conducting directed research necessary to effectively implement the Convention.

In response to this directive, the National Marine Fisheries Service prepared and, in June 1985, distributed a draft Antarctic Marine Living Resources Program Development Plan for review and comment. The draft Plan was reviewed during the previously mentioned meeting of the Ad hoc U.S. Scientific Working Group, held in Rhode Island on 24-25 June 1985. The Marine Mammal Commission, in consultation with its Committee of Scientific Advisors, subsequently reviewed the draft and provided detailed comments in a 17 July 1985 letter to the Service. The Commission also commented on the draft Program Development Plan in letters of 22 July 1985 to the Deputy Administrator of the National Oceanic and Atmospheric Administration and to the Director of the National Science Foundation's Division of Polar Programs. These letters noted the importance of maintaining a strong, well-balanced basic research program and of developing and implementing a directed research program. The Commission offered to provide whatever assistance might be helpful to facilitate development and coordination of the marine research programs being planned and conducted or supported by the two agencies.

The National Marine Fisheries Service addressed comments by the Marine Mammal Commission and other reviewers in a revised draft of the Program Development Plan, which was distributed and briefly summarized at a 13 November 1985 meeting of the Working Group of the interagency Antarctic Policy Group. The Commission, in consultation with its Committee of Scientific Advisors, reviewed the revised draft and, by letter of 10 December 1985, advised the Department of State of its concurrence that the Plan should be endorsed by the Antarctic Policy Group. The Marine Mammal Commission also suggested a number of ways to improve the Plan and pointed out that the proposed program's success would depend, to a great extent, on the adequacy of ship support and close coordination with the National Science Foundation's basic research program. The Commission further noted that it would not be possible to fully implement the program in FY 1987 as proposed unless steps are taken immediately to secure the necessary ship support.

In 1986, the Marine Mammal Commission will continue to work with the Department of State, the National Oceanic and Atmospheric Administration, and the National Science Foundation to help develop both basic and directed research programs that address whales, seals, and other components of the Antarctic marine ecosystem.

Activities Related to Non-Living Resources

As noted earlier, there is growing interest in potential non-living resources in Antarctica, particularly offshore oil and gas. Activities associated with exploration for and exploitation of offshore oil and gas and possibly other non-living resources could have direct and indirect effects on whales, seals, krill, and other living organisms in the Antarctic marine ecosystem. The Antarctic Treaty Consultative Parties have recognized this possibility, as they recognized the possible adverse effects of fishing and related activities. At the XIth Antarctic Treaty Consultative Meeting held in Argentina in July 1982, they agreed that a regime on Antarctic mineral resources should be elaborated and that the regime should provide means for:

(1) assessing the possible impact of mineral resource activities on the Antarctic environment in order to provide for informed decision-making; (2) determining the acceptability of possible mineral resource activities; and (3) governing those activities determined to be acceptable. Negotiation of the regime began at a Special Antarctic Treaty Consultative Meeting in New Zealand in June 1982, and it has continued at formal and informal sessions in New Zealand (January 1983); Federal Republic of Germany (July 1983); Washington, D.C. (January 1984); Japan (May 1984); Brazil (February 1985); and France (September 1985).

The negotiations initially involved only the Antarctic Treaty Consultative Parties, which presently include Argentina, Australia, Belgium, Brazil, Chile, China, the Federal Republic of Germany, India, Japan, New Zealand, Norway, Poland, South Africa, the Soviet Union, the United Kingdom, Uruguay, and the United States. Beginning with the meeting in Rio de Janerio in February 1985, the negotiations have been open to observers from acceding states to the Antarctic Treaty. These presently include Bulgaria, Cuba, Denmark, Finland, Hungary, Italy, the Netherlands, Papua-New Guinea, Peru, Romania, Spain, and Sweden.

Negotiations will continue in April 1986 in Australia. The Marine Mammal Commission has provided and will continue to provide advice and assistance to ensure, insofar as is possible, that the regime is ecologically sound and not to the disadvantage of marine mammals and other living organisms of the Southern Ocean.

Proposed Ocean Drilling Program

The National Science Foundation plans to initiate a ten year or longer ocean drilling research program to succeed the recently completed Deep Sea Drilling Project. The new program would use a more modern research vessel (the Joides Resolution) for drilling into deep sedimentary sequences on continental margins. Drilling would take place throughout the world's oceans, including one or more sites in Antarctica. It would provide core samples and data necessary to improve current understanding of seafloor speading, plate tectonics, the structure of the earth's interior, and related geologic conditions and phenomena.

To facilitate consideration of the potential impacts of the proposed action, the National Science Foundation has prepared and sought comments on a Draft Environmental Impact Statement that evaluates the possible consequences of drilling in four representative areas -- Georges Bank, the East Pacific Rise, the Mid-American Trench, and the Weddell Sea. The Marine Mammal Commission, in consultation with its Committee of Scientific Advisors, reviewed the draft statement, paying particular attention to the sections dealing with the possible impacts of the proposed action on marine mammals in the Weddell Sea and on Georges Bank.

In its letter of 29 August 1985 to the National Science Foundation, the Commission noted that while the Draft Environmental Impact Statement provided a generally thorough assessment of the possible effects of the proposed action on marine mammals, it did not recognize that the occurrence of marine mammals in many areas is seasonal and that the nature and extent of possible impacts on marine mammals would depend upon the timing as well as the location of activities. The Commission also noted that the section of the draft statement identifying applicable laws and regulations should be expanded to identify relevant provisions of the Convention for the Conservation of Antarctic Seals, the Endangered Species Act, and the Marine Mammal Protection Act. Further, the Commission pointed out that it would be inappropriate, as proposed in the draft statement, to use the same standards used to judge the possible effects of fisheries -- i.e., those set forth in Article II of the Convention on the Conservation of Antarctic Marine Living Resources -- to judge the significance of the possible effects of the drilling program on Antarctic marine living resources.

The XIIIth Antarctic Treaty Consultative Meeting

The Thirteenth Antarctic Treaty Consultative Meeting took place in Brussels, Belgium, from 7-18 October 1985. Two new Consultative Parties, the People's Republic of China and the Oriental Republic of Uruguay, attended for the first time, bringing the total number of Consultative Parties to 18.

Marine Mammal Commission representatives helped develop U.S. positions relative to items on the meeting agenda and participated in the meeting. Agenda items included operation of the Antarctic Treaty System and protection of the Antarctic environment. With regard to the latter, a joint U.S./Australian recommendation was approved which requests the Scientific Committee on Antarctic Research (SCAR) to consider and provide advice on the need for a new category of protected area and steps that might usefully be taken to develop a system for more effectively compiling, storing, and accessing information on the Antarctic. Recommendations also were approved designating three new Specially Protected Areas and thirteen new Sites of Special Scientific Interest, including one site of long-term Weddell seal studies being conducted by U.S. investigators.

There was much discussion of the need to establish formal procedures for assessing the possible adverse effects of research and related support activities in Antarctica. However, because of the financial implications and practical problems faced by parties that presently do not have well defined environmental impact assessment procedures, it was not possible to reach agreement on a recommendation. It was agreed that the Consultative Parties would further evaluate and, as possible, implement environmental impact assessment procedures using the guidelines set forth in the SCAR document entitled "Man's impact on the Antarctic environment: A procedure for evaluating impacts from scientific and logistic activities." It also was agreed that environmental impact assessment procedures would be included on the agenda for further consideration at the XIVth Consultative Meeting to be held in Brazil in 1987.

These actions complement the ongoing efforts to implement the Living Resources Convention and to develop a regime to govern possible mineral activities. Collectively, they contribute to the development of a system for assuring the conservation of the Antarctic ecosystem and its component elements.

New International Interest in Antarctica

The basic purpose of the Antarctic Treaty, which entered into force in 1961, is to assure that the Antarctic is reserved exclusively for peaceful purposes. To this end, military activities, nuclear explosions, and the disposal of radioactive waste in Antarctica are prohibited. The Treaty also guarantees freedom of scientific research in Antarctica and establishes the basis for international cooperation therein. To accomplish these objectives, the Treaty incorporates juridical provisions which permit its parties to agree or disagree over the legal and political status of Antarctica. (Of its original twelve parties, seven claim territorial sovereignty over parts of Antarctica; the remaining parties, including the U.S., neither assert nor recognize such claims.) The Treaty also makes provision for regular consultative meetings, which have evolved into a mechanism for dealing with new issues as and when they arise.

In recent years, there has been growing international interest in Antarctica. Since the Treaty entered into force, twenty additional nations have acceded to it, bringing the total to thirty-two parties. As noted earlier, eighteen of these are Consultative Parties, which participate in the regular meetings held under the Treaty. The remaining fourteen non-consultative parties attend such meetings as observers. This growth and increasing interest reflects, in part, recognition of the importance of scientific research in Antarctica, which remains the primary focus of human activity there.

The growing interest also derives from speculation about the resource potential of Antarctica. This latter perception appears to have been a factor in the initiative taken by Malaysia in 1983 to stimulate United Nations' consideration of Antarctica. Acting on Malaysia's proposal, the United Nations General Assembly inscribed an item on Antarctica on the agenda of its 38th Session in 1983. As a result, the General Assembly adopted a resolution that called upon the Secretary-General to "prepare a comprehensive, factual and objective study of all aspects of Antarctica."

The Secretary-General's study was completed in November 1984 and, following further consideration of the matter, the United Nations General Assembly adopted a resolution that: (1) affirmed the conviction that, "in the interest of all mankind, Antarctica should continue forever to be used exclusively for peaceful purposes and that it should not become the scene or object of international discord" and (2) agreed to inscribe an item entitled "Question of Antarctica" in the provisional agenda for the 40th Session of the General Assembly in 1985.

Although the question of Antarctica had been previously treated on a consensus basis in the United Nations, this pattern was broken during the 40th Session of the General Assembly. Malaysia and its supporters chose to push through three resolutions by vote. In the view of the U.S. and the other Antarctic Treaty Consultative Parties, the resolutions incorporate elements which seek unjustifiably to call into question the Antarctic Treaty system and to create an artificial dichotomy between that system and the United Nations' system. For these reasons, they took the general position of non-participation in the votes on the three resolutions.

The first resolution, sponsored by Bangladesh, Brunei Darussalam, Indonesia, Malaysia, Mali, Nigeria, Oman, Pakistan, Rwanda, and Sri Lanka, requests that the Secretary-General "update and expand the study on the question of Antarctica by addressing questions concerning the availability of information from the Antarctic Treaty Consultative Parties to the United Nations on their respective activities in, and their deliberations regarding Antarctica, the involvement of the relevant specialized agencies and intergovernmental organizations in the Antarctic Treaty System and the significance of the United Nations Convention on the Law of the Sea in the Southern Ocean."

The second resolution, sponsored by Bangladesh, Brunei Darussalam, Malaysia, Mali, Nigeria, Oman, Pakistan, Rwanda, and Sri Lanka, calls attention to the ongoing negotiation of the minerals regime, affirms that any exploitation of resources in Antarctica should ensure the international management and equitable sharing of the benefits of such exploitation, and invites the Antarctic Treaty Consultative Parties to "inform the Secretary-General of their negotiations to establish a regime regarding Antarctic Minerals."

The third resolution, sponsored by Mauritius, notes the apartheid regime of South Africa and urges the Antarctic Treaty Consultative Parties to exclude South Africa from participation in meetings of the Consultative Parties.

In explaining their position, Australia, speaking before the General Assembly on behalf of the Consultative Parties, expressed regret that the consensus tradition had been abandoned and indicated that the nature of the resolutions and the way in which they had been adopted would call into question future consultative party participation in the Antarctic agenda item until consensus was restored.

The Marine Mammal Commission believes that the Antarctic Treaty and the related agreements that form the Antarctic Treaty System provide an essential basis for effectively protecting and conserving marine mammals, the Continent proper, and the surrounding seas. In 1986, the Commission will continue its efforts to strengthen and facilitate effective implementation of the Antarctic Treaty, the Convention on the Conservation of Antarctic Marine Living Resources, and other elements of the Antarctic Treaty System.

The International Whaling Commission

Representatives of the Marine Mammal Commission consulted with the U.S. Commissioner to the International Whaling Commission (IWC) and others to help plan for U.S. participation in the Thirty-seventh Annual Meeting of the IWC in Bournemouth, United Kingdom, and they attended the meetings of the IWC and its Scientific Committee during 1985. A summary of the Marine Mammal Commission's activities during 1985, as well as a summary of the IWC meetings and related U.S activities, follows.

The July 1985 Meeting

Membership and Participation -- Between the 1984 and 1985 meetings, two more nations, Ireland and the Solomon Islands, joined the IWC thereby increasing its total membership to forty-one nations. Representatives of thirty-eight of those nations participated in the 1985 meeting.

Moratorium on Commercial Whaling -- As discussed in the Marine Mammal Commission's previous Annual Reports, the IWC adopted a new provision to its Schedule of regulations in 1982 which provides that catch limits for all commercial whaling will be set at zero for the 1985/86 pelagic and 1986 coastal whaling seasons and thereafter. The new provision, Schedule paragraph 10 (e), also provides that, by 1990 at the latest, the IWC will undertake a comprehensive assessment of the effect of this decision on whale stocks and consider modification of this provision and the establishment of other catch limits. No action was taken during the 1985 meeting to amend or modify Schedule paragraph 10 (e) and therefore, pursuant to its provisions, catch limits for the coming year for all stocks of whales were automatically set at zero for purposes of commercial whaling. Catch limits for commercial whaling will remain at zero unless and until a three-quarters majority of the IWC members votes to modify Schedule paragraph 10 (e).

Three nations (Japan, Norway, and the Soviet Union) maintain objections to Schedule paragraph 10 (e). Under the International Convention for the Regulation of Whaling, this action removes the obligation of their respective governments to comply with the requirements of this provision. Notwithstanding the objection maintained by the Soviet Union, however, its representative stated at the 1985 meeting that, for technical reasons, the U.S.S.R. would temporarily stop commercial whaling, beginning with the 1987/88 Antarctic whaling season.

Catch Limits -- As noted above, all catch limits for purposes of commercial whaling were set at zero for next year's whaling seasons. The Scientific Committee did, however, review stock assessments in order to provide management advice with respect to priority stocks where there is a likelihood of continued exploitation. Based on that assessment, the Scientific Committee recommended, and the IWC adopted, proposals to reclassify the following stocks as Protected Stocks in the IWC Schedule of regulations: the northeastern Atlantic minke whale stock, the Sea of Japan/Yellow Sea/East China Sea minke whale stock, and the East China Sea Bryde's whale stock. The IWC also reclassified the Western Division North Pacific sperm whale stock as a Protected Stock effective from the beginning of the 1988 whaling season.

Aboriginal/Subsistence Whaling -- In 1983, the IWC implemented a new scheme for establishing catch limits for aboriginal/subsistence whaling. At the 1985 meeting, aboriginal catch limits were set for the Bering Sea stock of bowhead whales, the eastern North Pacific stock of gray whales, and West Greenland stocks of minke, fin, and humpback whales. With respect to bowhead whales, the Scientific Committee of the IWC reported that improved population estimates suggest its size is larger than had previously been suspected and that the best estimate of abundance was 4,417 animals (range 2,613 - 6,221 animals). No new information was available concerning natural mortality rates or annual net recruitment, and the Committee recommended that any catch limits be set with caution. The IWC adopted a three-year block quota for bowhead whales of 26 strikes per year for the years 1985 to 1987. Strikes not used in any one year, however, may be used in the following year provided that no more than 32 whales are struck in any one year. Aboriginal catch limits set for other whale stocks for 1985 were as follows: 179 eastern North Pacific gray whales; 10 West Greenland fin whales; zero West Greenland humpback whales; and 130 West Greenland minke whales. Further, with respect to West Greenland minke whales, the adopted IWC quota also provided that up to 220 whales could be taken in the years 1986 and 1987.

Future Activities of the IWC -- During the 1984 meeting, the U.S. proposed that a working group be constituted to consider possible operational adjustments that the IWC should consider in view of the implications of the impending moratorium on commercial operations and financial constraints. That working group met twice prior to the 1985 IWC meeting and prepared a report, which was adopted by the IWC, outlining priority tasks for the coming years. Among the list of priority actions identified were the following: (a) monitoring any commercial catch taken under objections to Schedule paragraph 10 (e) and compliance with applicable regulations other than catch limits; (b) conducting the comprehensive assessment; (c) establishing aboriginal/subsistence catch limits; (d) considering revisions of the present management procedures; and (e) reviewing special permits proposed by party governments for purposes of scientific research.

The IWC also adopted a resolution proposed by Brazil and the Philippines establishing an ad hoc working group to draft terms of reference for use in evaluating the socio-economic implications of zero catch limits for those countries that have adhered to and been affected by them. The working group will meet prior to the next IWC meeting and the draft terms of reference will be considered during the 38th Annual Meeting.

Special Permits for Scientific Research -- Article VIII of the Whaling Convention provides that any member nation may grant a special permit to its citizens to take whales for purposes of scientific research and that the whales taken may be processed and sold in accordance with that party government's directions. Party governments, however, must provide the IWC and its Scientific Committee an opportunity to review proposed special permits, which are to include certain information concerning proposed activities, before they are issued. The Governments of Iceland and Korea put forward proposed permits involving the taking of whales and, to help ensure that these and any other research proposals are well conceived and effectively meet data needs, the Scientific Committee formulated a series of guidelines with which to review proposed permits. With respect to Iceland's research proposal, which provides for an annual take of 80 fin whales, 40 sei whales, and 80 minke whales during the years 1986 to 1989, the Scientific Committee provided detailed comments but was unable to reach agreement on the extent to which the proposal satisfied its new guidelines. The Korean research proposal did not meet IWC information requirements.

During the 1985 meeting, the IWC adopted a resolution establishing a working group that will meet prior to the next IWC meeting to further define the parameters for research conducted under special permits and to develop recommended guidelines for the international trade of products derived from whales taken during the research activities. The resolution also calls upon party governments to take account of the serious concerns expressed by the IWC and the advice and guidelines developed by the Scientific Committee and to avoid research activities during the period of the moratorium that assume characteristics of commercial whaling.

Related Activities

Certification and Sanctions under the Pelly and Packwood-Magnuson Amendments -- As discussed in previous Annual Reports, whaling carried out under objections to provisions of the IWC Schedule may trigger certain actions under two U.S. laws -- the Pelly Amendment to the Fishermen's Protective Act and the Packwood-Magnuson Amendment to the Magnuson Fishery Conservation and Management Act. Under the former, the U.S. may embargo imports of fish products from countries whose nationals are certified by the Secretary of Commerce as conducting fishing operations (including whaling) in a manner or under circumstances which diminish the effectiveness of international conservation programs such as the IWC. The Packwood-Magnuson Amendment mandates a reduction by at least 50 percent in the allocation of fish that may be caught within the U.S. Fishery Conservation Zone by any nation so certified.

In 1984, the IWC established a quota of 4,224 whales for the commercial harvest of minke whales in the Southern Hemisphere. Brazil, Japan, and the Soviet Union harvest minke whales in the Antarctic and, applying past practices used to divide the Southern Hemisphere minke whale quotas among the three countries, the 1984/85 IWC quota would have allowed Japan and the Soviet Union each to take 1,941 whales and Brazil to take 342 whales. All three nations objected to the IWC quota and, recognizing that these countries might take whales in excess of the established IWC quota, the U.S. advised each of the three countries that it might consider the take of whales above the aforementioned levels to diminish the effectiveness of IWC conservation standards and thereby require the U.S. to consider possible sanctions under applicable U.S. laws.

During the 1984/85 Antarctic whaling season, the Soviet Union took more than 1,941 minke whales, causing the overall IWC Southern Hemisphere minke whale quota to be exceeded.

Therefore, on 1 April 1985, the Secretary of Commerce certified to the President that nationals of the Soviet Union were conducting whaling operations that diminish the effectiveness of the IWC's conservation program. As required by the Packwood-Magnuson Amendment, the Secretary of State, in consultation with the Secretary of Commerce, immediately took steps to reduce by half the allocation of fish that would have otherwise been provided to Soviet fishermen fishing in the U.S. Fishery Conservation Zone. If, after one year, the Soviet Union continues to take whales in excess of adopted IWC quotas, no fishery allocation may be provided to the Soviet Union. No trade sanctions were authorized under the Pelly Amendment, however, as it was determined that an embargo of fish products from the Soviet Union would have a negligible effect on the Soviet Union, which could easily market such products elsewhere, and such action could result in unemployment of U.S. workers who depend on the U.S.-U.S.S.R. joint venture company. No action was taken to certify Japan or Brazil, as whalers from those countries did not exceed their share of the 1984/85 IWC Antarctic minke whale quota. The certification of the Soviet Union was the first time any nation has been certified under the Packwood-Magnuson Amendment for the whaling practices of its nationals.

The U.S.-Japanese Agreement -- As noted in the Marine Mammal Commission's previous Annual Report, the U.S. and Japan reached an understanding in November 1984 under which Japan would file prospective withdrawals of its objections to an IWC sperm whale quota and the moratorium provision and thereby end all of its commercial whaling activities on or before April 1988. The U.S. would, in turn, refrain from certifying Japan for certain limited whaling activities that would be contrary to established IWC quotas. Among other things, the agreement called for filing a prospective withdrawal of Japan's objection to the sperm whale quota by 13 December 1984 and a prospective withdrawal of its objection to the moratorium provision by 1 April 1985.

The Ambassador of Japan advised the Secretary of Commerce by letter of 11 December 1984 that the prospective withdrawal of its objection to the sperm whale quota had been filed. By means of an exchange of letters on 5 April 1985 between Japan's Minister of Foreign Affairs and the Secretary of Commerce, it was agreed that Japan would file a prospective withdrawal of its objection to Schedule paragraph 10 (e) within five days of a final unappealable decision in favor of the U.S. Government in the court case American Cetacean Society et al. v. Baldrige (see below). In the interim, the Minister indicated that Japanese whaling activities would be guided by the understanding reached with the U.S. in November 1984.

Litigation -- As noted in the Annual Report for Calendar Year 1984, a number of environmental organizations brought suit against the Secretaries of Commerce and State seeking to prevent the Secretaries from entering into an agreement with the Government of Japan whereby Japan would not be certified under the Pelly and Packwood-Magnuson Amendments for non-compliance by Japanese whalers with established IWC quotas. The suit sought, among other things, a declaratory judgment that the Secretary of Commerce is required to certify Japan if Japanese whalers exceed such established quotas. On 5 March 1985, the U.S. District Court for the District of Columbia ruled in favor of the plaintiffs and ordered the Secretary of Commerce to certify Japan for taking sperm whales in numbers that were in excess of the applicable IWC quotas to which Japan had objected but which were contemplated under the U.S.-Japanese agreement negotiated in November 1984 (see above).

The U.S. immediately obtained a stay of the ruling pending an appeal before the U.S. Court of Appeals for the District of Columbia Circuit. The Appeal was heard by a three-judge panel and, on 16 May 1985, a decision was rendered upholding the District Court's ruling. Another stay was obtained, and the Justice Department requested a rehearing en banc before the Court of Appeals (i.e., before all 11 members of the District of Columbia Circuit). This request was denied on 11 October 1985.

In a final attempt to overturn the lower court ruling, the Justice Department obtained another stay and filed a petition for certiorari with the U.S. Supreme Court. This petition was filed on 4 December 1985 and, as of the end of 1985, a decision on whether the Supreme Court would hear the case had not been made. If the Supreme Court denies the request to hear the case or if it fails to overturn the Court of Appeals' decision, the Secretary of Commerce will be required to certify Japan under the Pelly Amendment for having taken whales in excess of established IWC quotas and the Secretary of State will be required to reduce Japan's U.S. fishery allocation by at least 50 percent.

Other Matters -- In the fall of 1985, Dr. John V. Byrne submitted his resignation as U.S. Commissioner to the IWC, a post which he had filled since the 1982 IWC meeting. His tenure as U.S. Commissioner paralleled the critical transition period between the adoption and onset of the moratorium on commercial whaling. By the end of 1985, an announcement as to his replacement had not been made.

Recognizing the transitions within both the IWC as it looked forward to the initiation of a moratorium on commercial whaling and within the U.S. IWC leadership, the Marine Mammal Commission began a review of IWC issues in 1985 in order to assist U.S. efforts to evaluate future policy directions and activities. A preliminary analysis of IWC issues was completed late in 1985, and the results of that review should be sent to the National Oceanic and Atmospheric Administration and the State Department early in 1986. Based on its preliminary analysis, the Commission expects to recommend that:

-- as a guiding principle, the U.S. take all feasible steps to insure the long-term future of the Whaling Convention and improve the effectiveness of the IWC;

-- the U.S. continue its support of the moratorium provision at least until such time as the comprehensive assessment is completed and the provisions governing commercial take are re-examined;

-- the U.S. make certain that post-comprehensive assessment management decisions do not neglect uncertainties in available data and/or population models which might, if disregarded, allow whale stocks to be reduced to or maintained at unacceptable levels, and that catch limits other than zero for commercial whaling be supported only if whale stocks are determined with certainty to be at a level which could sustain such exploitation;

-- three or four U.S. scientists be immediately designated to represent the U.S. at IWC meetings bearing on the comprehensive assessment and that this group meet with other appropriate U.S. scientists by mid-March to consult on positions and develop scientific background papers on: (a) procedures and timetables affecting the comprehensive assessment, and (b) potential revision of the IWC's present management procedures;

-- the U.S. participate in IWC meetings, including those scheduled for 7-11 April in England and 6 June in Sweden, bearing on the comprehensive assessment, as well as meetings such as the one scheduled for 2 June in Sweden on socio-economic aspects of IWC whaling decisions;

-- the U.S. continue to consider and, as appropriate, invoke sanctions available under the Pelly and Packwood-Magnuson Amendments against nations whose citizens (a) engage in commercial whaling contrary to the moratorium provision or (b) take whales under special permits for scientific research which are issued without required notification to the IWC or which clearly disregard such advice as may be provided by the IWC;

-- the U.S. participate in the 2 June 1986 working group meeting and any other IWC meetings to consider matters relating to the issuance of special permits for scientific research;

-- the U.S. continue to support IWC actions which reflect legitimate subsistence needs of Alaska Eskimos;

-- the U.S. maintain appropriate arrangements with the Alaska Eskimo Whaling Commission to ensure that the Alaska Eskimo bowhead whale hunt is conducted in a manner consistent with adopted IWC quotas and related provisions;

-- the National Marine Mammal Laboratory continue its past practice of convening annual meetings to review and coordinate bowhead whale research supported by Federal agencies, State agencies, Native organizations, and industry groups by convening such a meeting as early as possible in 1986;

-- money be provided to the National Marine Mammal Laboratory to sustain efforts to better determine the net recruitment rate for the Bering Sea bowhead whale population as recommended by the IWC's Scientific Committee; and

-- the U.S. continue its support for development and use of the most humane killing techniques available, including efforts to improve techniques for the taking of bowhead whales for subsistence purposes.

As noted above, the Government of Iceland advised the IWC during the 1985 meeting that it intended to issue a special permit to take a certain number of fin, sei, and minke whales in the North Atlantic during the years 1986 to 1988 for purposes of scientific research. The IWC Schedule requires that scientists from other countries be afforded an opportunity to participate in any such proposed research program and, following the 1985 IWC meeting, the Marine Research Institute of Reykjavik, Iceland, (i.e., the recipient of the proposed special permit) distributed an outline of its research program to various marine institutes and organizations interested in marine mammal research. The proposed research outline was transmitted by letter of 20 September 1985, and both the Marine Mammal Commission and the National Oceanic and Atmospheric Administration received copies. By letter of 6 December 1985, the Administrator of NOAA requested comments from the Commission on the research proposal in order to assist with its evaluation of related policy considerations. At the end of 1985, the Commission was completing its review and anticipated returning detailed comments early in 1986.

The Commission will continue to consult and cooperate with other agencies and interested groups and individuals during 1986 concerning these and other issues related to the IWC.

Interim Convention on Conservation of North Pacific Fur Seals

The Interim Convention on Conservation of North Pacific Fur Seals calls for cooperative research and management efforts by Japan, Canada, the U.S.S.R. and the United States to achieve the maximum sustainable productivity of the fur seal populations of the North Pacific Ocean. Among other things, the Convention prohibits pelagic sealing and provides for the sharing of pelts from commercial land-based harvests carried out by the United States on the Pribilof Islands and by the U.S.S.R. on the Commander and Robben Islands. The Convention entered into force in 1957 and has been extended by a succession of Protocols, the most recent of which was signed by the four parties on 12 October 1984 and would extend the Convention through October 1988. During 1985, the Protocol was submitted to the United States Senate for its advice and consent. However, as of the end of 1985, the Senate had not taken final action on the matter.

During recent years, the Pribilof Islands fur seal population has been declining at a rate of about 6.5 percent per year. The current population, estimated to be about 819,000 animals, is less than half of its estimated population size of two million animals in the early 1950s. While the cause or causes of this decline are uncertain, mortality resulting from entanglement in lost or discarded fishing gear and other debris appears to be at least a contributing factor if not the major contributing factor. The entanglement issue as it relates to fur seals and other marine mammals is discussed in greater detail in Chapter VI of this Report.

The ongoing population decline and issues related to the harvest of fur seals on the Pribilof Islands raised difficult research and management questions during 1985 and make the future of the Convention uncertain. The following provides a review of actions taken in 1985 by the Marine Mammal Commission and others concerning the Interim Convention and the conservation of the fur seal population.

The 1984 Protocol to Extend the Convention

As noted in the Commission's previous Annual Report, a Protocol to extend the Interim Convention through October 1988 was signed by the four Party Governments on 12 October 1984 and is subject to ratification or other forms of acceptance by the Governments involved. In a joint statement accompanying the signed Protocol, the parties made particular note of their concern about the decline of the fur seal population, current economic conditions, and other problems of fur seal conservation and utilization. In the statement, the parties indicated that: (1) additional research is needed on the problem of entanglement of fur seals in lost or discarded fishing nets, fishing gear, and other debris; (2) in accordance with the London Dumping Convention and in comformity with their respective national laws, the Party Governments will take appropriate measures to prohibit the disposal at sea in the Convention area of synthetic materials, such as fishing nets and gear, ropes, packing bands, and other debris that might lead to the entanglement of fur seals; (3) in the event of unforeseen circumstances, the countries of fur seal origin may take measures as necessary for the conservation and management of fur seals, after consultation with other parties; and (4) within two years, all parties will review the Convention in light of issues raised in the statement to determine if either modifications or renegotiation of the Convention are desirable.

The 1985 Meeting of the North Pacific Fur Seal Commission

Although the 1984 Protocol to extend the Convention had not been ratified by April 1985, the involved parties agreed to meet in anticipation of the possibility that the Protocol would be approved prior to the 1985 harvest. The Fur Seal Commission meeting was held on 15-18 April in Tokyo, Japan. That meeting was preceded by a meeting of its Committee of Scientists on 4-11 April, also in Tokyo.

Prior to the Fur Seal Commission's meeting, the National Marine Fisheries Service consulted with the Marine Mammal Commission on development of U.S. positions with respect to the subsistence harvest of fur seals on St. George Island, the possible resumption of pelagic sealing, the entanglement of fur seals in marine debris, and future commercial harvesting. By letters of 22 March and 5 April 1985 to the Service, the Commission recommended that the draft U.S. positions concerning these issues be revised to provide more definitive statements and instructions for the U.S. delegation to follow during the meeting.

For example, with respect to the entanglement issue, the Commission recommended, among other things, that the proposed position be revised to direct that the U.S. delegation:

-- advise other parties of the specific actions and commitments which the U.S. is undertaking to assess and resolve the entanglement problem;

-- ensure that other parties are aware of relevant findings and conclusions resulting from the November 1984 Workshop on the Fate and Impact of Marine Debris and that they are provided copies of the Executive Summary of the report from the Workshop;

- -- advise other parties that the U.S. will include explicit "no discard" provisions in permits for foreign vessels allowed to fish in U.S. waters;
- -- request that, prior to the next meeting of the Fur Seal Commission, the parties exchange: (a) information about their domestic laws, regulations, and penalties pertaining to discarding fishing gear and other debris at sea, and (b) descriptions of research that has been or is being conducted to improve understanding of the entanglement problem;
- -- request that other parties reassess and, as possible, strengthen their domestic programs for educating fishermen and other vessel operators in the North Pacific Ocean as to effects and legal sanctions associated with disposal of debris at sea; and
- -- propose that a workshop be held in advance of the next Fur Seal Commission meeting to review actions that have been taken and to determine additional cooperative measures that might be taken to expedite identification and elimination or mitigation of the cause or causes of the continuing decline of the Pribilof Islands fur seal population.

As indicated below, some of these points were raised by U.S. participants to the meeting of the Fur Seal Commission's Committee of Scientists. However, most of these points were not raised during the meeting of the Fur Seal Commissioners, and it was not clear what further research and management steps, if any, other parties to the Convention would take.

Representatives from all four contracting nations to the Convention attended the 1985 meetings of the Committee of Scientists and the Fur Seal Commission. With respect to the harvest of subadult male fur seals on St. Paul Island, the report of the Committee of Scientists predicted that, if a commercial harvest were to be conducted in 1985, 23,499 seals would be taken. During the Fur Seal Commission meeting, the U.S. Commissioner proposed, and the Commission agreed, that an upper limit of 22,000 subadult male fur seals be established for the 1985 harvest. The U.S. Commissioner also proposed to shorten the harvest season by one week and requested authority to take as few as 15,000 animals if economic circumstances warranted a reduced harvest. While the Commission agreed to shortening the harvest season, it did not agree to authorize a reduced harvest. The U.S.S.R. indicated its intent to harvest 5,100 seals on the Commander Islands and 2,000 seals on Robben Island.

In order to meet the subsistence needs of residents on St. George Island not met by carcasses provided from the commercial harvest on neighboring St. Paul Island, the U.S.

Commissioner noted that a subsistence take of up to 329 seals would be permitted. Noting, however, that this still might not be sufficient to meet the food requirements of the St. George Island residents, he also requested and was granted authority to authorize a harvest of up to 500 animals on St. George Island for that purpose.

With respect to the entanglement issue, the parties exchanged relevant data and information on ongoing research during the course of the meeting of the Committee of Scientists. U.S. representatives distributed copies of the Executive Summary of the November Workshop on the Fate and Impact of Marine Debris and there was discussion of the results and recommendations resulting therefrom. During the Commission meeting, the U.S. Commissioner noted the significance of entanglement as a cause of the fur seal population decline and urged all participating nations to continue to support cooperative international efforts to study and solve the problem of marine debris. There was no reported discussion and no agreement on specific actions that should and would be taken to establish and eliminate or mitigate the cause or causes of the continuing population decline.

U.S. Deliberations on Extension of the Convention

As noted in the Commission's previous Annual Reports, the National Marine Fisheries Service prepared a Draft Environmental Impact Statement on extension of the Interim Convention in 1983. The Commission provided the Service detailed comments on the draft Statement by letter of 11 January 1984. Among other things, the Commission's letter noted its belief that the proposed action to extend the Interim Convention would be the preferred action if, in fact, it were to lead to the establishment of research, education, and enforcement programs which would assure prompt resolution of uncertainties concerning the rate and possible causes of the ongoing decline in the Pribilof Islands fur seal population and if it were to assure that appropriate and necessary steps would be promptly taken to effectively stop and reverse the decline.

On 2 April 1985, the National Marine Fisheries Service issued a Final Environmental Impact Statement on extending the Interim Convention. The final Statement indicated that the Departments of Commerce and State would recommend to the Senate that it give its advice and consent to ratification of the 1984 Protocol. The Protocol was transmitted to the Senate for advice and consent on 20 March 1985, where it was referred to the Committee on Foreign Relations.

A hearing on ratification of the Protocol was conducted by the Committee on 13 June 1985. During the hearing, the Commission provided testimony indicating its concern about the population decline and the lack of information on the cause of that decline. Among other things, the Commission noted that if the Interim Convention were not extended, there would be considerable risk that it would not be possible to develop international agreements that would be effective in implementing needed research and conservation measures, including a prohibition on pelagic taking. In light of this concern, the Commission expressed its support for extension of the Convention but recommended that the United States propose a suspension of further commercial harvests of fur seals pending an evaluation of the effectiveness of those steps being taken to address the population decline. In its testimony, the Commission also referenced and reiterated the view expressed in its 17 August 1984 letter to the National Marine Fisheries Service that steps should be taken to prepare and implement a conservation plan for North Pacific fur seals that is similar in form and content to recovery plans required by the Endangered Species Act.

Testimony also was presented by representatives of other Federal agencies, environmental organizations, the State of Alaska, the Aleut community, and the U.S. Senate. With respect to testimony by Federal agencies, representatives of the Commerce Department and the State Department supported ratification of the Protocol and extension of the Convention. In doing so, they pointed out the value of the Convention for promoting and coordinating international cooperation on necessary research, management, and conservation tasks, and they indicated that the commercial harvest of fur seals continues to meet important economic and subsistence needs of Aleuts who reside on the Pribilof Islands. The representative of the National Advisory Committee on Oceans and Atmosphere, summarizing the results of its 1985 study on the Interim Convention, expressed, among other things, the view that: the U.S. Government should immediately and permanently cease entrepreneurial participation in the commercial fur seal harvest; the Senate should ratify the Convention; the Secretaries of Commerce and State should direct the U.S. Commissioner to urgently consider the desirability of suspending the commercial harvest in light of the best scientific information available; and a portion of the funds saved by terminating U.S. Government involvement in the commercial harvest should be reallocated to augment the U.S. fur seal research program.

Environmental organizations offered divergent views on the Convention. Groups such as the Animal Protection Institute, Friends of Animals, Greenpeace, and the Humane Society of the United States objected to ratification, arguing that the Convention was no longer needed to protect fur seals from pelagic sealing and that the commercial harvest cannot be justified on economic, ethical, or scientific grounds. Support for ratification was provided by the International Association of Fish and Wildlife Agencies, the National Audubon Society, the Wildlife Management Institute, and the World Wildlife Fund. These groups acknowledged the need to maintain an international agreement that prohibits pelagic sealing and provides a resource management and scientific research mechanism, however, they offered differing reasons for their support. For example, the National Audubon Society supported ratification contingent upon the adoption of scientific management principles that would ensure that problems confronting the fur seal population would be resolved in a timely fashion.

Support for ratification also was voiced by residents of the Pribilof Islands and their representatives. They emphasized the cultural, economic, social, and subsistence significance of the annual harvest as an integral part of their way of life and set forth their views that the commercial harvest of subadult male fur seals is not a contributing factor in the fur seal population decline. With respect to the latter point, they noted that the decline may instead be due to fundamental changes that appear to be taking place in the Bering Sea ecosystem.

Following the hearing, representatives of the Aleuts and various environmental organizations met on several occasions to resolve their differences concerning extension of the Convention. These meeting did not result in agreement although a possible compromise was proposed and considered in July. Under that compromise, Senate advice and consent was to be provided on the Protocol, subject to the following conditions: (1) the U.S. Commissioner to the Fur Seal Commission would oppose any recommendation to take fur seals for commercial purposes within the jurisdiction of the United States; (2) during the period of the Protocol, North Pacific fur seals within the jurisdiction of the United States would be conserved, managed, and protected pursuant to U.S. domestic laws to the extent that they are more restrictive than the Convention; (3) the Secretary of Commerce would implement a cooperative Bering Sea ecosystem research program to help determine the cause or causes of the ongoing fur seal population decline and to increase the health and viability of the Bering Sea ecosystem, giving special emphasis to the problems of entanglement of fur seals in lost and discarded fishing gear and other debris and the reproductive failure of other species within that ecosystem; and (4) the subsistence take of fur seals would be at no cost to the U.S. Government and all pelts held by the U.S. as a result of the 1984 harvest would be transferred to the village corporation on St. Paul.

As of the end of 1985, the Senate Committee on Foreign Relations had not reported the matter to the full Senate for its consideration and, as a result, the 1984 Protocol did not receive Senate advice and consent in 1985. Canada, Japan and the Soviet Union did, however, ratify the Protocol during 1985.

The 1985 Harvest

As noted above, the U.S. did not ratify the Protocol to extend the Fur Seal Convention prior to the 1985 July-August harvest season for fur seals. Thus, in the absence of an international agreement binding upon the U.S., management authority for fur seals on the Pribilof Islands reverted to domestic legal authorities including the Marine Mammal Protection Act and the Fur Seal Act. Pursuant to these laws, the taking of fur seals for commercial purposes is prohibited. A take by Alaska Natives for subsistence purposes is, however, permitted with certain restrictions. Under the authority of these two laws, the National Marine Fisheries Service published emergency interim regulations in the Federal Register on 8 July 1985 for the purpose of governing the 1985 subsistence take of fur seals by the Aleut residents of the Pribilof Islands.

The regulations specified that the 1985 fur seal harvest on the Pribilof Islands was to be conducted for subsistence purposes only. They further specified that it was to end either on 5 August 1985 or when the Assistant Administrator for the National Oceanic and Atmospheric Administration determined that the harvest was being conducted in a wasteful manner, whichever occurred first. With respect to the harvest on St. Paul Island, the regulations established requirements concerning the method of harvest, the locations where harvesting could occur, the disposal of fur seal parts, and cooperation with Federal officials monitoring the harvest. With respect to St. George Island, a harvest limit of 329 fur seals was set. The regulations provided for air transportation of seal meat from St. Paul Island to St. George Island and specified that no part of a fur seal taken for subsistence uses could be sold or transferred to a non-Native unless it was: (1) a non-edible by-product that had been transformed into an article of handicraft, (2) being sent by a Pribilovian to a registered tannery, or (3) a skin to be transferred to the U.S. for holding pending a determination of its "final disposition."

A one-day emergency extension of the harvest season was authorized on 6 August 1985 and published in the Federal Register on 9 August. During the authorized harvest season, 3,385 fur seals were taken.

By letter of 24 July 1985, the Commission provided the Service with comments on the emergency interim regulations. In its letter, the Commission supported the regulations, noting that without them there would be no restrictions on taking fur seals by Alaska Natives and that an unregulated harvest could have a severe, adverse effect on the declining Pribilof Islands fur seal population. Among other things, the Commission's letter recommended that the Service monitor how fur seal parts taken for subsistence purposes are actually used. It also recommended that the number of skins to be preserved by the U.S. to satisfy any rejuvenated obligations under the Convention should be limited to 6,600 skins. That is, if and when the U.S. decides to ratify the Convention, these skins would be used to meet U.S. obligations for transferring the 3,300 skins that would be owed to each of Canada and Japan if the 1985 harvest had been conducted under the Convention.

Recognizing that the Convention might not be ratified by the U.S. and that management of fur seals therefore might remain subject to domestic authorities, the Service's 8 July rulemaking also requested comments on the procedures that should be used to (a) promulgate permanent regulations for the subsistence harvest and (b) designate North Pacific fur seals as "depleted" under the Marine Mammal Protection Act. The Commission responded to this request by letter of 7 August 1985 to the Service. In its letter, the Commission recommended that, to reconcile requirements of the Fur Seal Act and the Marine Mammal Protection Act, the more stringent rulemaking requirements of the Marine Mammal Protection Act should be followed. Under the Marine Mammal Protection Act, permanent regulations restricting Native take would have to be promulgated on the record after opportunity for an agency hearing. Although the Service stated in its 8 July rulemaking that it would indicate which approach it would use for developing permanent regulations in September 1985, a decision on this matter had not been announced as of the end of 1985. The Service's failure to initiate rulemaking procedures to address this point creates a risk that permanent regulations will not be in place in time for the 1986 subsistence harvest. The Commission's concerns on this point were conveyed to the Service by letter of 29 November 1985, in which it recommended that procedures for promulgating permanent regulations be initiated in December 1985.

With respect to the question of designating the Pribilof Islands fur seal population as "depleted" under the Marine Mammal Protection Act, the Commission's 7 August 1985 letter recommended that the Service do so immediately. The letter also noted that the Commission had notified the Service on three previous occasions that this action was appropriate. Although the Service acknowledged in its 8 July rulemaking that the Pribilof Islands fur seal population qualifies for depleted status, no action had been taken by the end of 1985 to implement a formal designation as such and no response to the Commission's recommendation had been received.

The Petition to List North Pacific Fur Seals as Threatened

As noted in the Commission's previous Annual Report, a petition was submitted to the National Marine Fisheries Service in early 1984 on behalf of several environmental organizations requesting that the North Pacific fur seal

(Callorhinus ursinus) be listed as a threatened species under the Endangered Species Act. By Federal Register notice of 11 April 1984, the Service announced its determination that the requested action may be warranted and requested data to assist in its evaluation of the most appropriate course of action.

The Commission provided the Service comments by letter of 17 August 1984. Among other things, the Commission noted that: the Pribilof Islands fur seal population is below its optimum sustainable population level; if it continues to decline at its present rate, the population would be half its 1984 population size in seven to ten years; although the precise cause or causes of the population decline are not known, entanglement in lost and discarded fishing gear and other debris appears to be at least a contributing factor; and new threats to Pribilof Islands fur seals may develop from onshore and offshore oil and gas development and tanker traffic in the vicinity of the Islands and elsewhere in the population's range. The Commission concluded that, if steps currently being taken by the U.S. and other parties to the Convention are insufficient to identify and mitigate the cause of the population decline soon, the population could decline to a point where it would be in danger of extinction in the foreseeable future. Therefore, the Commission also concluded that designation as threatened would be appropriate and that development of a recovery plan, which would be required by such designation, would be beneficial.

On 6 March 1985, the National Marine Fisheries Service published a notice in the Federal Register determining that listing North Pacific fur seals as a threatened species was not warranted at that time. In support of its determination, the Service noted that: (1) although the Pribilof Islands fur seal population is declining at a rate of about 6.5 percent annually, the herd is not at or near a critical population level at which it would be in danger of extinction; (2) the Fur Seal Commission's Committee of Scientists, as well as other fur seal biologists, believes that the harvest of fur seals probably is not a factor contributing to the population decline; (3) since the cause of the decline has not been conclusively determined, the underlying need is to intensify efforts to identify causal factors; and (4) continuation of the current management regime under the Convention provides the greatest protection available since the species also occurs outside of U.S. jurisdiction.

By letter of 11 March 1985, the Service responded to the Commission's letter of 17 August 1984 commenting on the proposed listing. The Service indicated the seriousness with which it viewed the ongoing population decline and recounted the reasons set forth in the Federal Register notice as to why it had determined that listing is not warranted. It also stated that the most appropriate action at this time is to continue investigations to determine the cause of the decline.

Fur Seal Research and Management Needs

During the early part of 1985, the Commission became concerned that the Service might not be doing everything possible to address the problem of the continuing fur seal population decline. This concern was intensified by the Service's response to the Commission's comments on the petition to list fur seals as endangered, and the Commission therefore advised the Service of these concerns by letter of 24 April 1985. Referring to the position set forth in its 17 August 1984 letter on the listing question, the Commission noted that it assumed that the Service's decision not to list the North Pacific fur seal as threatened was based on a determination that the steps currently being taken by the Service and other parties to the Convention would be sufficient to identify and eliminate or mitigate the cause or causes of the population decline in the near future. The basis for such a determination was not clear and, since the Commission was uncertain as to the precise steps that were being taken by the Service and other parties to the Convention to address this point, the Commission requested that the Service provide: (1) a list of hypotheses concerning possible causes of the decline; (2) a list of hypotheses concerning the likely effectiveness of measures that could be taken to reverse the decline; and (3) a description of the studies required to test those hypotheses, the funds that would be required, the relative importance or priority which the Service attaches to those studies, and an indication of which studies would or would not be undertaken within the next three years.

By letter of 12 July 1985, the Service responded to the Commission's 24 April letter. The Service reiterated the reasons for denying the petition and enclosed a nine page research planning memorandum prepared by the Service's Northwest and Alaska Fisheries Center. The material enclosed with the Service's letter outlined the broad range of studies that would be required to evaluate virtually all possible causes of the population decline and the general categories of studies planned for the next several years. However, the material did not indicate either the measures that the Service thought might be taken to stop and reverse the fur seal population decline or precisely what studies the Service considered necessary and which it was prepared to undertake during the next three years.

The Commission, therefore, invited representatives of the Service to participate in the meeting of the Commission and its Committee of Scientific Advisors on Marine Mammals on 24-26 October 1985 in San Diego, California to discuss fur seal related issues. Based on an evaluation of those discussions as well as recent correspondence between the Service and the Commission and other related materials, the Commission wrote to the Service on 29 November 1985 recommending additional steps that should be taken to identify and either eliminate or diminish the impact of the cause or causes of the continuing population decline. In its letter, the Commission recommended that:

-- the Service promptly convene a North Pacific fur seal research program review and schedule subsequent reviews annually, at least until the ongoing decline has been reversed;

-- the Service and the Commission enter into a cooperative agreement to constitute and convene a working group of scientific and resource management experts on North Pacific fur seals to write and help implement a long-term fur seal conservation plan similar in scope and format to the recovery plans prepared for a species listed under the Endangered Species Act;

-- the U.S. seek the cooperation of other countries in efforts to implement the long-term fur seal conservation plan;

-- the Service immediately designate the Pribilof Islands population of fur seals as "depleted" under the Marine Mammal Protection Act; and

-- the Service promulgate permanent regulations governing the taking of North Pacific fur seals for subsistence purposes.

With respect to its recommendation that a working group be constituted to develop a long-term fur seal conservation plan, the Commission noted that a well-conceived conservation plan, which sets forth logical steps and the supporting rationale for identifying and attacking the cause or causes of the population decline, would provide a substantially improved basis for identifying, scheduling, and evaluating essential fur seal related research and management activities. Furthermore, such a plan would help facilitate agreement on ways to strengthen and expand cooperative international support of critical research and management tasks. In addition to representatives of the Service and the Commission, the Commission's letter noted that appropriate participants on the working group would include representatives from the Aleut community, the State of Alaska, the environmental community, the academic community, and the fishing industry.

In order to help clarify the scope and intent of its recommendation concerning the preparation of a fur seal conservation plan, the Commission followed up its 29 November letter by forwarding a preliminary discussion draft of an outline for a Pribilof Islands fur seal conservation plan to the Service on 6 December 1985. The draft outline identifies, as the ultimate objective, restoration and maintenance of the Pribilof Islands fur seal population at its optimum sustainable population level. Intermediate goals would be to: (1) identify and eliminate or mitigate the population decline; (2) assess and avoid or mitigate the possible adverse effects of offshore oil and gas development and other future activities on the Pribilof Islands population and its habitat; and (3) continue and, as necessary, expand programs to detect changes and monitor trends in the Pribilof Islands population and its habitat.

As of the end of 1985, the Commission looked forward to a response from the Service to its 29 November 1985 letter and to working closely with the Service, the Aleut community, the environmental community, and others on efforts to convene a working group, to prepare a long-term fur seal conservation plan, and to otherwise assist in efforts to identify and reverse the ongoing decline in the Pribilof Islands fur seal population.

Convention On International Trade in Endangered Species of Wild Fauna and Flora (CITES)

The United States is party to the Convention on International Trade in Endangered Species of Wild Fauna and Flora, a Convention designed to control trade in animal and plant species that are or may become threatened with extinction. The extent of trade control depends upon the extent to which the species is endangered, as reflected by inclusion on one of three appendices to the Convention. Changes in the species listed in the appendices can be made by agreement of the Parties and, in the case of Appendix III, by individual Parties.

Appendix I includes species threatened with extinction that are or may be affected by trade. Appendix II includes species that, although not necessarily currently threatened with extinction, may become so unless trade in them is strictly controlled. Appendix II also includes nonendangered species that must be regulated so that trade in "look-alike" species that are threatened with extinction may be brought under effective control. Appendix III includes species that any Party identifies as being subject to regulation within its jurisdiction for the purpose of preventing or restricting exportation and for which the party needs the cooperation of others Parties in controlling trade.

Overall responsibility for coordinating the development of U.S. positions and implementation of the provisions of the

Convention is vested in the Fish and Wildlife Service. During 1985, the Service consulted with the Commission and with others in preparation for the Fifth Biennial Meeting of the Parties to the Convention.

The Fifth Biennial Meeting was held from 22 April to 3 May 1985 in Buenos Aires, Argentina. At the meeting, the Parties considered three proposals concerning marine mammal species. The Federal Republic of Germany proposed that the narwhal, Monodon monoceros, should be transferred from Appendix II to Appendix I. Sweden proposed that the hooded seal, Cystphora cristata, should be added to Appendix II, and the United States proposed that the northern elephant seal, Mirounga angustirostris, should be deleted from Appendix II.

On 7 February 1985, the Fish and Wildlife Service published a Federal Register notice and request for comments on these and other proposed amendments to the Convention. In the notice, the Service announced that it was the tentative U.S. position that narwhal and hooded seals proposals should be supported. Tentative adoption of these positions was based on information submitted by the proponents of each proposal.

By letter of 15 March 1985, the Commission, in consultation with its Committee of Scientific Advisors, supported the tentative U.S. positions on the narwhal and hooded seal proposals and the U.S. proposal to delete the northern elephant seal from Appendix II. Final U.S. negotiating positions for the meeting were published in the Federal Register on 12 April 1985. In that notice, the tentative U.S. positions for all three marine mammal species were affirmed.

At the Fifth Biennial Meeting, the United States delegation altered its negotiating position on the hooded seal proposal. Based upon information provided by Canada, the U.S. delegation concluded that the hooded seal did not qualify for inclusion on Appendix II. The proposal was rejected by the Parties. Canada also presented information supporting its position that the narwhal should not be included on Appendix I, and the Federal Republic of Germany's motion to add the species to Appendix I was defeated by secret ballot. Finally, the U.S. withdrew its proposal to delete the northern elephant seal from Appendix II.

The decisions of the Parties to the Convention on these and other issues were announced by the Fish and Wildlife Service in the Federal Register on 14 June 1985, with a request for comments. The resulting amendments, none of which concerned marine mammals, entered into force on 1 August 1985.

CHAPTER IV

MARINE MAMMAL MANAGEMENT IN ALASKA

Marine Mammal Working Groups

Since the enactment of the Marine Mammal Protection Act in 1972, issues concerning marine mammals in Alaska have assumed greater significance and have been the focus of more attention than those of any other state. A number of states are confronted with important conservation problems that involve one or more species of marine mammals. Alaska, however, by virtue of the large number of marine mammal species found there, its extensive coastline, the use of marine mammals for subsistence purposes by Alaska Natives, and the many other management issues concerning marine mammals, presents extraordinary conservation challenges.

In recognition of this fact, the Commission has made marine mammal issues in Alaska a matter of high priority. In 1984 and 1985, for example, the Commission devoted 16 percent and 28 percent of its research budgets, respectively, to marine mammal issues in Alaska. Central to the Commission's efforts in this regard was the establishment of the Alaska Marine Mammal Working Groups (discussed below) at the July 1984 meetings of the Commission and its Committee of Scientific Advisors in Fairbanks, Alaska.

These Groups were created for several reasons. As recounted elsewhere in this Report and in previous Annual Reports, the Federal Government has never fully met its obligations as the steward of marine mammals in Alaska. In some measure, this lack of commitment resulted from the belief that the State of Alaska would request and receive the authority to re-assume management responsibility for many of the species in question. Such has not been the case although the State did at one time briefly have authority over walrus. Another such request may be made by the State in 1986, depending upon the resolution of subsistence and other issues in the Alaska Legislature.

From the Commission's point of view, the issue of who has management authority, while important, could not be allowed to further thwart the development of sound research and management programs. It was the Commission's belief that no matter who has the responsibility, certain basic facts were clear: (a) the development of research and management plans will always be heavily dependent upon the existence of carefully developed and generally agreed-upon species accounts and problem descriptions as base documents; (b) research upon which to base conservation and management of marine mammals can and must be carefully described; (c) the same holds true for needed management actions; and (d) to be useful, these species accounts, research recommendations, and management recommendations should be developed in cooperation with representatives of all interested groups. The Commission has given attention to the development of these important research and management plans because they will provide the rational basis for addressing many of the urgent resource-related issues in Alaska, such as marine mammal harvests and marine mammal interactions with fisheries.

To bring together the species accounts and essential research and management information, the Commission, in cooperation with representatives of the Eskimo community, the State, the Fish and Wildlife Service, the National Marine Fisheries Service, the academic community, and private groups, established seven Working Groups composed of biologists, biometricians, Native and non-Native coastal residents, representatives of the conservation community, and representatives of State and Federal agencies. The Groups are charged with preparing: (1) comprehensive species accounts that summarize available information on population status and threats; (2) summaries of research activities that are either underway or planned; (3) summaries of existing and proposed management programs; (4) descriptions of recommended research activities; and (5) descriptions of recommended management programs. The final reports, which address the ten species for which the State had at one time planned to seek management authority, should be of equal value to either State or Federal agencies.

For purposes of facilitating and coordinating the efforts of these working groups, the Commission entered into a contract in 1984 with a marine mammal and resource management specialist in Juneau, Alaska. Under the contract, which was extended in 1985, the contractor has lead responsibility for overseeing the development of the Working Groups' comprehensive reports. To further the effort, the Commission entered into additional contracts in 1985 with persons to act as lead writers for the reports on harbor seals, ringed and ribbon seals, bearded and spotted seals, sea lions, and beluga whales. (See Chapter II for a more complete discussion of relevant contracts.) Draft reports containing species accounts, research recommendations, and management recommendations for polar bears and sea otters are being prepared by agency representatives and therefore do not require the support of additional contracts.

When completed, the comprehensive reports on all ten species are expected to serve as the action plans for future marine mammal conservation, management, and research efforts in Alaska whether management authority resides with the Federal government, the State of Alaska, or is a responsibility shared according to species.

Background Information on Transfer of Management

To make clear the context within which the Marine Mammal Commission's actions to constitute and support working groups have taken place, the following background information and discussion of the transfer of management requirements of the Marine Mammal Protection Act may be useful.

The Marine Mammal Protection Act sets forth certain procedures whereby the Secretaries of Commerce and the Interior may, in response to a properly submitted request, take actions that would lead to the transfer of management authority from the Federal Government to a state for marine mammals found in that state. In order to transfer Federal management authority, the Secretary with jurisdiction over the species in question must determine, after notice and opportunity for public comment, that the state has developed and will implement a program for the conservation and management of the affected species that satisfies the requirements of Section 109 of the Act. In making this determination, the Secretary must issue a finding that the state has, among other things, established a process to determine the optimum sustainable population of each affected species and the maximum number of animals that may be taken without reducing the species below that level.

Certain additional points are germane to requests for transfer of management to the State of Alaska. For example, the State of Alaska's conservation and management program must include mechanisms whereby: determinations of optimum sustainable population levels are made; allowable take levels for species above the minimum levels are established; and, for each species that is below its optimum sustainable population level, a determination must be made as to the maximum numbers of animals that can be taken for subsistence while still allowing that species to increase towards its optimum sustainable population. Furthermore, Alaska's program must include a State statute and regulations requiring that subsistence takings shall not be wasteful and that priority shall be given to subsistence rather than other consumptive uses of the species. Federal regulations implementing the transfer of management requirements were promulgated by both the Fish and Wildlife Service and the National Marine Fisheries Service in 1983.

During 1982 and 1983, the State of Alaska took preliminary steps to request a transfer of management for ten species of marine mammals. Early in 1984, however, the State determined that it would be appropriate to conduct a public education and comment process prior to making a final decision on whether to proceed with such a request. As a part of the process, the Alaska Department of Fish and Game conducted forty-nine formally announced public meetings to provide information on the transfer process requirements, to explain the likely consequences of a State management program, and to solicit comments from coastal residents and other affected parties. These meetings were completed early in 1985.

At the 24 October 1985 meeting of the Commission and its Committee of Scientific Advisors in San Diego, the Alaska Department of Fish and Game indicated that an analysis of the issues raised during the public review process would be completed and presented to the Governor by the end of 1985. It was further indicated that a final decision on whether to proceed with a request for a transfer of management would be made by the Governor early in 1986.

The State's review of the transfer of management issue was made more complex on 22 February 1985 when the Alaska Supreme Court, in its decision in Madison v. Alaska Department of Fish and Game, invalidated a Board of Fisheries regulation designed to identify eligibility for subsistence fishing in the Cook Inlet region. The decision called into question the sufficiency of the State's subsistence statute and regulations under the transfer of management requirements of the Marine Mammal Protection Act.

The inconsistency between State law and Federal subsistence requirements is noted in a 23 September 1985 letter from the Department of the Interior's Assistant Secretary for Fish and Wildlife and Parks to the Governor of Alaska. In the letter, it is stated that, as a result of the Madison decision, the State is no longer in compliance with the subsistence standards of the Alaska National Interest Lands Conservation Act. Those requirements are virtually identical to the provisions of Section 109(f)(1) of the Marine Mammal Protection Act that must be satisfied before a transfer of management can be accomplished. Questions generated by the Madison decision must, therefore, be resolved before the State can proceed with a request for a transfer of management.

During the 1985 session of the Alaska State Legislature, the Governor of Alaska introduced a bill intended to bring the State statute into compliance with Federal requirements. Although passed by the House, no action was taken by the State Senate, and hearings on the subsistence issue were held by the Senate State Affairs Committee during the summer of

1985. A Senate bill amending the State subsistence statute is expected to be introduced in 1986.

Federal Marking and Tagging Regulations

In 1981, the Marine Mammal Protection Act was amended to provide the Fish and Wildlife Service with authority to promulgate regulations requiring the marking, tagging, and reporting of animals taken by Alaska Natives. Through these regulations, useful information on the numbers of marine mammals taken for subsistence and handicraft purposes should be obtained. On 3 December 1985, the Fish and Wildlife Service published proposed marking and tagging regulations in the Federal Register. Hearings on the proposed regulations will be held in affected areas of Alaska during 1986.

Native Taking of Sea Otters

Concerned about the inadequacy of information available to Alaska Natives on the restrictions that apply to the taking of sea otters, the Commission wrote to the Eyak Village Corporation, in Cordova, Alaska, on 23 December 1985. The purpose of the letter was to provide information on the Native take requirements of the Marine Mammal Protection Act and its implementing regulations. The letter was necessitated by the incomplete nature of the information that had been given to Alaska Natives with respect to taking sea otters and by the interest in taking a significant number of sea otters for handicraft purposes.

In the letter, the Commission explained the limitations that apply to the taking of sea otters and other marine mammals for subsistence and handicraft purposes. The letter also encouraged Natives planning to take sea otters to consult with the Fish and Wildlife Service to determine if the take is authorized and to identify the steps that should be taken to ensure that sea otter populations would not be adversely affected.

On 23 December, the Commission also wrote to the Fish and Wildlife Service, transmitting a copy of its letter to the Eyak Village Corporation and informing the Service of its concerns. Specifically, the Commission pointed out that the Fish and Wildlife Service Fact Sheet on the taking of sea otters by Alaska Natives that had been issued in 1985 did not provide all relevant information on the requirements of the Marine Mammal Protection Act and the regulations governing Native take. The Commission recommended that steps be taken to: (a) assess the level of sea otters taken by Alaska Natives and determine if those takes are lawful; (b) better inform Natives of limitations on taking for subsistence and handicraft purposes; (c) pursue enforcement action in appropriate cases; (d) determine what effect such takings are having on sea otter populations; and (e) take appropriate measures to protect the affected populations.

Litigation

Killer Whales

In 1985, significant developments occurred in two lawsuits concerning marine mammals in Alaska. On 16 January 1985, the U.S. District Court for the District of Alaska issued a decision on Jones v. Gordon. In the lawsuit, several environmental groups, tour boat operators, and the State of Alaska challenged a 1983 permit issued to Sea World, Inc. to collect killer whales in Alaska for public display and scientific research purposes. The plaintiffs alleged that the permit had been unlawfully issued as a result of the National Marine Fisheries Service's failure to prepare an environmental impact statement on the permit application.

Ruling for the plaintiffs, the District Court determined that the action requested in the permit application raised questions concerning the unknown effects of the takings on killer whale pod structure, reproductive capacity, and overall population levels. The Court concluded that these uncertainties and the substantial public controversy associated with the permit required the preparation of an environmental impact statement. The Court therefore invalidated the permit and enjoined Sea World, Inc. from proceeding with the collection.

On 25 September 1985, the United States appealed this decision to the U.S. Court of Appeals for the Ninth Circuit. An appeal also was filed by the intervenor, Sea World, Inc. In the appeal brief, the Federal appellants argued that the lawsuit should have been dismissed for plaintiffs' failure to file a complaint within 60 days of the issuance of the permit, as required by Section 104(d)(6) of the Marine Mammal Protection Act. They also argued that the review of the Sea World permit application was a categorically exempt action for which an environmental impact statement is not required. At the end of 1985, all pleadings for the appeal had been filed, and oral argument before the Ninth Circuit is expected early in 1986.

Sea Otters

In a second lawsuit, Katelnikoff v. U.S. Department of the Interior, an Alaska Native challenged the validity of the Fish and Wildlife Service's regulatory definition of "authentic Native articles of handicraft and clothing." That definition requires that, in order to qualify for the Marine

Mammal Protection Act's Native take exemption, handicraft articles fashioned from marine mammal parts and products must have been "commonly produced on or before December 21, 1972." In the plaintiff's complaint, it is alleged that the cut-off date has no basis in the Marine Mammal Protection Act.

The litigation arose as a result of the seizure by Fish and Wildlife Service and National Marine Fisheries Service enforcement agents of several handicraft articles manufactured by the plaintiff out of sea otter skins. The items involved -- teddy bears, hats and mittens, fur flowers, and pillows -- were confiscated from gift shops in Kodiak, Alaska, because there is no record indicating that such articles were commonly produced by Alaska Natives before the regulatory cut-off date. The plaintiff claimed that, by seizing these items, the Federal Government deprived her of her right to take marine mammals for handicraft purposes.

The plaintiff's amended complaint was filed on 26 August 1985 and the Department of Justice filed an answer to that complaint on 30 September 1985. Dispositive motions are to be filed early in 1986 at which time the Federal defendants are expected to call upon legislative history in order to argue that Congress intended to limit takings for handicraft purposes to those Alaska Native cottage industries that existed before enactment of the Marine Mammal Protection Act in 1972.

CHAPTER V

MARINE MAMMAL/FISHERIES INTERACTIONS

Interactions among marine mammals, fisheries and fish, squid, shellfish, and other marine biota present complex problems for those responsible for conserving and managing marine mammals, fisheries, fishery resources, and the ecosystems of which they are a part. One of the most widely known examples of these problems -- the interactions between porpoises and the yellowfin tuna purse seine fishery in the eastern tropical Pacific Ocean (discussed in Chapter VII) -- was among the things that led Congress to pass the Marine Mammal Protection Act.

The Commission, in consultation with its Committee of Scientific Advisors on Marine Mammals, has devoted considerable attention and funding to efforts to identify, assess, and resolve problems caused by marine mammal/fisheries interactions. Activities before 1985 have been reported in previous Annual Reports. A brief summary of these earlier efforts and a description of 1985 activities are provided below.

Background

Interactions between marine mammals and fisheries can take various forms -- sometimes to the detriment of the involved marine mammal population and other times with more impact on the involved fishery. In the former case, marine mammals can be killed or injured, accidentally or deliberately, during fishing operations or by becoming entangled in lost and discarded fishing gear. In the latter case, fishermen can be affected when marine mammals damage or take fish from hooks, traps, and nets and when they damage or destroy fishing gear. Further, marine mammals and fishermen may compete in some areas for the same fish and shellfish resources. This can cause or contribute to depletion of the fish and shellfish resources and result in fundamental changes in the marine food web as well as affect the competing marine mammals and fisheries.

Prior to enactment of the Marine Mammal Protection Act in 1972, regulated and unregulated hunting, bounty programs, and various forms of harassment were used in a number of areas to control the distribution, abundance, and behavior of marine mammals and thus eliminate or reduce damage and loss of gear and catch caused by marine mammals. The Act imposed a moratorium on such activities and, in the ensuing years, marine mammals have become more numerous in certain areas and/or less likely to avoid fishing boats and gear.

Many of the reports of increasing interactions between marine mammals and fisheries came from the Pacific Northwest and, in December 1977, the Commission convened a workshop to gather and review available information on the nature and extent of marine mammal/fisheries interactions in Oregon, Washington, California, Alaska, and Hawaii. (For details, refer to the workshop report [Mate 1980, Appendix B]). Workshop participants concluded that the most acute problems seemed to involve seals, sea lions, and the salmon gill net fisheries in the Copper River Delta of Alaska and the Columbia River in Washington and Oregon. Following the workshop, the Commission, among other things, provided funds to initiate investigation of the interactions problem in the Copper River Delta and to begin development of a plan to investigate and, as necessary, resolve the interactions problem in the Columbia River and adjacent areas. The details and results of these and related studies are described in the Annual Reports for Calendar Years 1978, 1979, 1980, 1981, and 1982.

In 1978-1981, additional studies were initiated by the National Marine Fisheries Service, the North Pacific Fishery Management Council, and the States of Alaska, Washington, Oregon, and California to better determine the nature and extent of certain marine mammal/fisheries interactions in the Bering Sea, along the U.S. coast from Washington to California, and off the New England coast. The Commission, concerned that these studies might not be providing either comparable data or the types and quality of data needed to define and resolve problems, convened a follow-up workshop in October 1981 to review and determine what steps should be taken to improve and coordinate ongoing and planned studies.

The report of that workshop (Contos 1982, Appendix B) published in April 1982, notes that: (1) broad generalizations about marine mammal/fisheries interactions in different areas are not possible and each situation must be considered individually; (2) because of the potentially complex nature of indirect (trophic) interactions among marine mammals, fisheries, and fish and shellfish stocks, there is a substantial risk of making bad management decisions; (3) to minimize the risk of making bad management decisions, marine mammals and fisheries should be managed cooperatively in areas where they may be competing for or otherwise affecting the same fish or shellfish stocks; (4) because funding is limited, and because direct interactions are less complex and easier to document, higher priority initially should be afforded to research on direct rather than indirect interactions; (5) ongoing efforts to determine and document the nature and extent of impacts on both the involved fisheries and marine mammal populations should be expanded to identify and evaluate possible mitigation measures; and (6) when remedial measures are determined to be necessary, first consideration should be given to possible non-lethal measures.

The workshop findings have guided subsequent Commission activities, as described below.

Interactions off California

Efforts to determine the nature and extent of marine mammal/fisheries interactions in California coastal waters have been under way since 1979 as a cooperative project of the National Marine Fisheries Service and the California Department of Fish and Game. These investigations, reviewed during the previously mentioned workshop in October 1981, indicate that marine mammals are affecting a number of California fisheries including the commercial salmon troll fishery, the commercial passenger fishing vessel ("party boat") fishery, the Pacific herring seine fishery, the market squid dip net fishery, the drift net fishery for sharks, and the set net fisheries for halibut, croaker, and rockfish. They also indicate that substantial numbers of sea otters, harbor porpoise, sea lions, harbor seals, and other non-target species are being caught and killed, particularly in gill net fisheries.

As noted in the previous Annual Report, gill netting is a relatively cheap, non-labor-intensive way of fishing that has attracted many immigrant as well as established fishermen. The amount of fishing effort with gill and trammel net gear and the number of fishermen using entangling nets has increased dramatically in northern and central California since 1979 and there has been a corresponding increase in the catch of marine mammals, sea birds, and other non-target species.

Because of the large number of sea birds being caught and killed in nets set in Monterey Bay, the California Department of Fish and Game prohibited set net fishing in the Bay for a limited time in 1982. This apparently caused a number of gill net boats to shift fishing efforts north to Marin, San Francisco, and San Mateo Counties and resulted in a substantial increase in the number of harbor porpoise being caught and killed (see Chapter VIII of this Report, Species of Special Concern, for more information). At the same time, observations conducted by State biologists and others indicated that substantial numbers of sea otters and other marine mammals were being caught and killed in set net fisheries along the coast from Morro to Monterey Bays.

Neither the State, the National Marine Fisheries Service, nor the Fish and Wildlife Service was able to implement the comprehensive observer program necessary to accurately determine when, where, how, and how many sea otters, harbor porpoise, and other marine mammals were being caught and killed in coastal set net fisheries. Therefore, as noted in previous Annual Reports, the Commission provided funds to the California Department of Fish and Game in 1982 and, in 1983 and 1984, contracted with independent investigators to augment the limited observation programs being conducted by the responsible management agencies.

In July 1984, the State of California enacted legislation restricting the use of gill nets in certain areas from Point Reyes to Monterey Bay. Subsequent fishery observations and marine mammal stranding data indicated that the restrictions did not eliminate and may not have reduced the incidental take of harbor porpoise and other marine mammals in the affected areas. In addition, the restrictions did not apply to most of the California sea otter range, which is south of Monterey Bay.

It was determined early in 1985 that incidental take could be having a significant adverse effect on the California sea otter population and, as discussed in Chapter VIII of this Report, the California Department of Fish and Game promulgated emergency regulations on 25 January 1985 prohibiting the use of gill and trammel nets in waters less than 15 fathoms deep from Waddell Creek, Santa Cruz County, to Point Sal, Santa Barbara County. On 24 May 1985, the California Legislature passed a law establishing a permanent 15-fathom closure along this section of coast. In July and August 1985, at least seven and possibly three more sea otters were observed caught in nets set in waters 15 fathoms or greater in depth. In response, the California Department of Fish and Game promulgated new emergency regulations prohibiting use of gill nets in waters less than 20 fathoms along 17 miles of coast between Cape San Martin and Piedras Blancas. This emergency closure expired on 20 December 1985. The need for further emergency closures and/or a permanent 20 fathom closure will be considered in the first half of 1986.

In an effort to address some of the problems that have resulted from interactions between commercial passenger fishing vessels, or party boats, and marine mammals, the National Marine Fisheries Service published regulations on 4 December 1985 that allow the owners and operators of such vessels to apply for a general permit and certificates of inclusion to incidentally take marine mammals by specified non-lethal means. This result was achieved through a modification of the definition of the term "commercial fishing operation" in the Service's Regulations Governing the Taking and Importing of Marine Mammals in 50 C.F.R., Part 216, to include this category of fishing vessel, the establishment of a corresponding gear category, and the creation of a new General Permit Category with regulatory restrictions and certification requirements.

These regulations were in response to a petition submitted on 2 November 1983 by the Sportfishing Association of California. The Association contended in its petition that California sea lions were depredating the catch of customers on party boats, damaging fishing gear, and causing substantial economic losses to the party boat fleet. Notice of the petition was published in the Federal Register on 15 December 1983, and, on 30 January 1985, the Service proposed regulations to authorize the incidental take of California sea lions by commercial passenger fishing vessels.

In its letter of 18 March 1985, the Commission commented on the proposed regulations. In that letter, the Commission emphasized the need to restrict the take to non-lethal, non-injurious methods, requested that authorized methods of take be specified more clearly, recommended that detailed reporting requirements be established, and asked for either the establishment of a quota or a more accurate estimation of the number of animals that are expected to be taken.

In the final regulations, to become effective on 3 January 1986, the Service limited the authorized methods of take to seal bombs, cracker shells, and acoustic harassment devices. These methods are to be used only for harassment purposes. The Service declined to establish a quota, noting that "the number of California sea lions that may be harassed cannot be accurately determined in advance." Reporting requirements were established, and the Service indicated that the need to establish a quota would be determined after "the NMFS has had the opportunity to review the certificate holders' take reports."

Because of the apparent effects on both fishermen and marine mammals, the Commission and its Committee of Scientific Advisors devoted considerable time during their 24-26 October 1985 meeting in San Diego to consideration of problems and issues related to marine mammal/fisheries interactions in California. Representatives of the affected fishermen, the California Department of Fish and Game, the National Marine Fisheries Service, the Fish and Wildlife Service, and several environmental groups were invited to attend the meeting and participate in the discussions. In addition, on 25 October 1985, a Commission representative attended a symposium on California gill net fisheries sponsored by the Southern California District of the American Institute of Fishery Research Biologists.

Information presented during the Commission's meeting and the Fishery Research Biologists' Symposium indicated that the nature and general effects of the interactions between various marine mammals and fisheries in California coastal waters have been reasonably well documented. It also indicated that relatively little has been and is being done to identify and evaluate possible measures for avoiding or reducing impacts on both fishermen and marine mammals, and that present fishery and marine mammal survey programs in California may not be adequate to determine and monitor the effectiveness of existing and future management programs.

Because of the uncertainties, the Commission initiated discussions with the California Department of Fish and Game on the need to seek new ways to address the issues. Both agencies agreed to cooperate on sponsoring a workshop in 1986 to determine and describe such additional measures as may be necessary to assess, avoid, and reduce impacts on both the involved fisheries and marine mammals. At the end of 1985, the Commission was finishing the draft terms of reference, the provisional agenda, a tentative list of participants, and the gathering of background information for discussion in January.

Interactions in the Southeastern Bering Sea and Other Areas off Alaska

The southeastern Bering Sea and other areas off Alaska include some of the world's richest fishing grounds and support a diverse assemblage of marine mammals. The continued expansion of both domestic and foreign fisheries in these areas since the mid-1960s has increased the potential for marine mammal/fisheries interactions and has focused attention on possible competition between marine mammals and fishermen for some of the same fish and shellfish resources.

Because of the potential interactions, the Commission and the North Pacific Fishery Management Council initiated cooperative efforts in 1980 to develop and implement an ecosystem approach to the management of marine mammals and fisheries resources in areas under Council jurisdiction. As part of this effort, the Commission and the Council jointly supported a workshop in October 1983 to review available information concerning biological interactions among marine mammals and commercial fisheries in the southeastern Bering Sea, and to determine whether existing data, theory, models, management techniques, and research/monitoring programs were sufficient to develop and implement ecosystem-oriented research and management programs for both marine mammals and fisheries in the area. The Commission also provided funds to the North Pacific Fishery Management Council in 1983 to help support a survey of Steller sea lion colonies being impacted by the winter joint venture fishery for pollock in Shelikof Strait, Alaska (for more information, see previous Annual Reports for Calendar Years 1983 and 1984).

A number of marine mammals, in addition to Steller sea lions, affect and are affected by fisheries in the southeastern Bering Sea and other areas offshore Alaska. Beluga whales, for example, affect and are affected by salmon gill net fisheries in areas such as Bristol Bay. Likewise, expanding sea otter populations in areas near Kodiak Island and Prince William Sound appear to be affecting certain crab fisheries. Also, there are reports that killer whales are taking sable fish caught on long lines in Prince William Sound and that fishermen are shooting and sometimes killing the whales in an effort to protect their gear and catch.

The Alaska Marine Mammal Species Working Groups, described in Chapter IV of this Report, are reviewing available information and will recommend steps that should be taken to better define and/or resolve problems being caused by marine mammal/fisheries interactions in Alaskan coastal waters. The reports of the working groups, expected to be completed by mid-1986, will describe actions necessary to assess and resolve the broad range of problems and issues affecting the conservation and protection of marine mammals in Alaska, including but not limited to those related to marine mammal/fisheries interactions.

Interactions off Hawaii

Information reviewed during the Commission-sponsored workshop on marine mammal/fisheries interactions held in December 1977 indicated that several species of porpoise occasionally take bait and damage or take caught fish. In these or other ways, they may interfere with long line, hand line, and troll fisheries for tuna and other fish in waters around the main Hawaiian Islands. More recently, it has also become apparent that efforts to develop spiny lobster and bottomfish fisheries in the northwestern Hawaiian Islands may have an adverse effect on the endangered Hawaiian monk seal and/or habitat critical to its survival.

Commission efforts to evaluate and determine possible means for preventing or reducing the adverse effects of marine mammals on fisheries around the main Hawaiian Islands are described in previous Annual Reports. Ongoing Commission efforts to assure that fishery development does not jeopardize the survival or recovery of the endangered Hawaiian monk seal are described in Chapter VIII of this report.

Interactions off the U.S. East Coast

It is known that humpback, right, fin, and other endangered large cetaceans are occasionally caught and injured or killed in fish weirs, gill nets, trawl nets, and other gear used to catch fish, squid, and lobster off the east coast of the United States and Canada. It also is known that pilot whales, harbor porpoise, gray seals, harbor seals, and other marine mammals are being caught and killed incidentally in several fisheries off the New England coast. Further, as noted in the Commission's previous Annual Report, there have been a number of unsubstantiated reports, in recent years, that bottlenose dolphins and other marine mammals are affecting and are being affected by fisheries in the coastal waters of the southeastern and Gulf states.

Neither the nature nor the extent of the marine mammal/fisheries interactions off the U.S. east coast has been well documented. The Northeast Fisheries Center of the National Marine Fisheries Service has initiated studies to gather and assess information concerning the nature and effects of interactions on the involved fisheries and marine mammal populations in New England waters. The Commission, as noted in its previous Annual Report, provided funds in 1984 to carry out a survey to determine the nature, location, and scope of possible problems being caused by interactions between bottlenose dolphins and fisheries in the coastal waters of the southeastern and Gulf states.

The report from the Commission-sponsored study, submitted in September 1985, indicates that bottlenose dolphins are caught incidentally in sturgeon and shad gill net fisheries off the Carolinas, in the menhaden purse seine fishery throughout the southeastern United States, in the tuna purse seine fishery offshore Florida and Georgia, and in the shrimp trawl fishery in the western Gulf of Mexico. The report also indicates that bottlenose dolphins may adversely affect a number of fisheries by damaging gear, stealing fish, causing fish to scatter, and causing loss of work time while damaged gear is repaired or replaced. The available data were insufficient, however, to accurately estimate the number of bottlenose dolphins being killed or injured, or to accurately estimate the economic impacts on the involved fisheries.

In 1986, the Commission, in consultation with its Committee of Scientific Advisors, will review the information provided by the aforementioned studies and, as appropriate, will advise the National Marine Fisheries Service of any follow-up studies or mitigation measures that appear necessary.

CHAPTER VI

ENTANGLEMENT IN MARINE DEBRIS

The tendency of marine mammals and other marine species to become entangled in net fragments, packing bands, and other debris lost and discarded at sea has been recognized for many years. Although entanglement is a worldwide problem affecting a number of species, it appears to be particularly acute in the North Pacific Ocean where at least two marine mammal species, the North Pacific fur seal and the Hawaiian monk seal, are being affected as are other species of marine organisms.

Since the significance of the problem was first documented at the beginning of this decade, the Marine Mammal Commission has played a major role in efforts to assess the extent and impact of entanglement on marine mammals and to identify ways to reduce or eliminate the problem. A brief summary of the Commission's past efforts, which have been discussed in detail in previous Annual Reports, is provided here. This is followed by a discussion of the Commission's 1985 activities.

Background

Beginning in the early 1970s, the Standing Scientific Committee of the North Pacific Fur Seal Commission repeatedly noted its concern about the increasing incidence of entanglement of fur seals in materials lost and discarded by fishermen. Although the nations party to the Fur Seal Convention -- Canada, Japan, the United States, and the Soviet Union -- were somewhat responsive to this concern, efforts to address the problem were limited primarily to attempts to encourage fishermen not to discard fishing gear into the ocean and enjoyed little, if any, success.

By 1982, it was apparent that the rate of fur seal entanglement had not diminished and that the impact of such entanglement was much more serious than had been realized. A data analysis carried out at that time indicated that entanglement of fur seals was possibly the primary cause of the ongoing decline in the North Pacific fur seal population and could represent an annual mortality rate of more than five percent of the population as a whole.

The Marine Mammal Commission, the National Marine Fisheries Service, the Department of State, and others, gravely concerned by these estimates, encouraged the North Pacific Fur Seal Commission to address the problem more vigorously than it had in the past. At about the same time, it became apparent that Hawaiian monk seals were also becoming entangled in lost and discarded fishing gear and other debris and that this could be contributing significantly to monk seal mortality. Elsewhere, data were being collected that indicated that lost and discarded fishing gear and other marine debris were global problems affecting many marine species.

In August 1982, participants in a National Marine Fisheries Service program review, which the Commission had requested, discussed the problem and agreed it would be valuable, as recommended by the Commission, to promptly convene a workshop to address the issue. Although the Service offered to proceed with planning such a workshop and despite the Commission's repeated offers of support and concrete recommendations with respect to the form, content, and objectives of such a workshop, the workshop was not held until late in 1984. The Workshop on the Fate and Impact of Marine Debris was held 27-29 November 1984 in Honolulu, Hawaii. Consistent with the Marine Mammal Commission's recommendation, responsibility for the Workshop was transferred to the Honolulu Laboratory of the National Marine Fisheries Service. The Laboratory deserved praise for the quality of this useful Workshop, which it organized and convened. (See previous Annual Reports.)

Purposes of the Workshop, as noted in the previous Annual Report, were to: (1) review the state of knowledge on the fate and impact of marine debris to determine the extent of the problem; (2) identify and make recommendations on possible mitigating actions; and (3) identify and make recommendations on future research needs. Workshop participants divided into four working groups to consider: the origin of marine debris, its impact on marine species, its fate in the marine environment, and tools for addressing and managing the problem. The conclusions and recomendations of the four working groups were discussed in detail in the Annual Report for Calendar Year 1984.

In July 1985, the National Marine Fisheries Service published the complete Proceedings of the November 1984 Workshop on the Fate and Impact of Marine Debris. As noted in the Executive Summary, a number of common conclusions and similar recommendations emerged from the individual working groups. The groups agreed, for example, on the need for extensive efforts to educate the public on the marine debris problem; the need for quantitative data to assess the impact of debris on marine resources; and the need for increased information to determine the sources and distribution of debris. The working groups also agreed on the need to improve and facilitate the exchange of relevant ideas, data, and techniques for assessing and addressing the problems. It was also recommended by one of the groups that the National Marine Fisheries Service designate a program manager for marine debris activities.

Workshop participants further agreed that: despite insufficient data, available evidence shows that marine debris now threatens a number of marine species, including marine mammals, sea birds, marine turtles, and fish, and that it presents a hazard to vessel operations. The participants also pointed out the potential positive benefits from marine debris, such as a tendency to concentrate finfish, and recommended that these benefits be investigated.

The report of the Service's Workshop on the Fate and Impact of Marine Debris was made available to the Commission and others in draft form early in 1985. Its conclusions and recommendations provided an excellent basis from which to proceed with planning during 1985.

Implementation of the Fiscal Year 1985 Entanglement Program

Recognizing the need for prompt constructive action to better determine and mitigate the problem of entanglement of marine mammals and other marine animals in lost and discarded fishing gear and other marine debris, Congress directed that $1,000,000 be appropriated to the National Marine Fisheries Service in Fiscal Year 1985 to develop a comprehensive research and management program addressing the issue. Congress also directed that the Service develop this program in consultation with and with the concurrence of the Marine Mammal Commission.

On 8 February 1985, the Service convened a meeting of representatives of the Commission, Congress, and the environmental community to discuss allocation of the special appropriation among needed research and management tasks. During the meeting, representatives of the Service advised the other participants that the Service would only invest $750,000 of the $1,000,000 mandated by Congress. The purpose of the reduction was to make $250,000 available to cover Service expenditures unrelated to the entanglement issue. The Service used $50,000 of the remaining $750,000 to cover costs of the November 1984 Workshop on the Fate and Impact of Marine Debris. These actions were taken without consulting with or receiving the concurrence of either Congress or the Commission. On 25 February 1985, the Commission wrote to the Service referencing the Congressional directive and noting that the Commission did not concur with the $250,000 reduction and allocation of the funds to other purposes. In its letter, the Commission also urged that a high level scientist/administrator be appointed to run the entanglement program and that a research advisory group be appointed promptly to help develop a plan for allocating the special appropriation.

In response to the Commission's recommendation on the need for a single person to oversee the entanglement program, the Service designated, in April 1985, a member of the Northwest and Alaska Fisheries Center staff to manage the program. Although the Service also agreed with the Commission on the need to convene a meeting of experts to help organize and guide the entanglement program, it was the Commission that assumed the initiative for holding such a meeting in La Jolla, California, on 18-19 March 1985. Participants, including representatives from the Commission, the Service, the North Pacific Fishery Management Council, and the environmental community, reviewed the results of the November 1984 Workshop on the Fate and Impact of Marine Debris and identified priority project needs for addressing the entanglement problem.

Based on the results of this meeting, the Commission prepared an annotated program outline which included a description of identified priority projects. By letter of 3 April 1985, the Commission transmitted the recommended program outline to the Service. On 19 April, the Commission completed its work by providing the Service with detailed scopes of work and estimated costs for each of the projects identified in the annotated program outline. The recommended program and scopes of work considered allocations of $950,000 assuming that $50,000 of the special appropriation had already been spent on the November 1984 Workshop.

The program outline included provisions for the following: (1) development and implementation of an information and education program; (2) a West Coast/New England Coast September 1985 beach clean-up; (3) research on entanglement of North Pacific fur seals; (4) research on entanglement of northern sea lions; (5) establishment of a reference collection and development of expertise to identify sources of marine debris; (6) a study to determine accumulation and disappearance rates of marine litter on Alaska beaches; (7) a compilation and analysis of data concerning marine debris reported by U.S. fishery observers during groundfish fishing operations in the Bering Sea; (8) a survey of the high seas squid gill net fishery; (9) identification of sources of fishing debris affecting endangered marine animals in the northwestern Hawaiian Islands; (10) a study of the dynamics of derelict gill net gear in the North Pacific; (11) studies of the impact of ingested debris on sea turtles and sea birds; (12) development of methods for surveying the distribution and abundance of marine debris at sea; (13) expanding efforts to collect relevant data from marine animals which strand on beaches; (14) development of new means to reduce the disposal of refuse into the marine environment; (15) research on the use of biodegradable materials; and (16) development of regulatory approaches to the problem of marine debris.

On 3 May 1985, the Service wrote to the Commission requesting comments on its plans to proceed with a proposed $750,000 spending plan for the entanglement program. Although the Service's plan was based on the program outline provided it by the Commission in April, it called for eliminating support for research on the use of biodegradable materials and on development of regulatory approaches and for reducing support for certain other identified projects. In its letter of 8 May to the Service, the Commission recommended that: (1) the full $1,000,000 mandated and appropriated by Congress be invested so that a coherent research program as originally developed would be supported; (2) if full funding could not be restored, the Service reprogram funds from its Dall's porpoise research program (which the Marine Mammal Commission believes the Japanese government is obligated to pay for under an existing agreement), from the St. George Island fur seal studies, and, if necessary, from part of the northern sea lion research envisioned under the Bering Sea ecosystem study; and (3) in the future, the Service better integrate related research programs concerning North Pacific fur seals and northern sea lions so as to address the most critical issues first.

On 21 May 1985, the Service advised the Commission that it would not be able to restore full funding to the entanglement program and that it was too late in the Fiscal Year to reprogram funds to make up the shortfall, as recommended in the Commission's letter. The Service indicated, however, that it would immediately start looking for ways to redirect funds in Fiscal Year 1986 into entanglement studies related to fur seals and sea lions. The Service proceeded with efforts to implement the program described above at the reduced level of $750,000. On 22 August 1985, the Acting Administrator of the National Oceanic and Atmospheric Administration restored $150,000. This increase to $900,000 was distributed in accordance with the recommended plan developed in cooperation with the Marine Mammal Commission. At the end of 1985, results from most of the projects supported during the year were not yet available.

Planning for the Fiscal Year 1986 Entanglement Program

Recognizing the seriousness of the problem and the fact that only a modest start had been made to address the issues, Congress directed the National Marine Fisheries Service to continue its entanglement program. For this purpose, Congress appropriated $750,000 to the Service for Fiscal Year 1986. In addition, Congress directed that the Service develop its 1986 entanglement program under the guidance of and with concurrence of the Marine Mammal Commission.

On 25 June 1985, the Commission recommended to the National Marine Fisheries Service that the working group which had developed the program plan for Fiscal Year 1985 be reconvened by the Service in July or August to do the same thing for Fiscal Year 1986. In response to this recommendation, the National Marine Fisheries Service convened a second meeting of the ad hoc advisory committee on the entanglement program on 20-21 August 1985 in Seattle, Washington. During the meeting, participants reviewed the status of projects being funded by the Fiscal Year 1985 appropriation, ranked proposed scopes of work that had been developed by the Service for funding in Fiscal Year 1986, and identified additional priority tasks for which scopes of work had not yet been developed.

Based on the meeting, subsequent deliberations, and the Commission's recommendation that draft plans of differing costs be developed, the Service prepared entanglement program plans ranging in value from $500,000 to $1,000,000 in the hope that the Fiscal Year 1986 appropriation would thus be covered. In fact, $750,000 was appropriated and, on 31 December 1985, the Service transmitted the recommended program plan to the Commission for its review and concurrence. The recommended plan, the product of some care and effort, would continue a number of studies initiated in 1985 and also support a number of new projects. At the end of 1985, the Commission looked forward to reviewing the proposed Fiscal Year 1986 program and providing the Service with comments and recommendations in early 1986.

Related Commission Activities

As noted in its previous Annual Report, the Commission contracted for a study of domestic and international authorities that might be useful in efforts to resolve the entanglement problem. The report of that study (see Bean, 1985, Appendix B), given the Commission in October 1984, was made available to participants at the November 1984 Workshop in Hawaii. Among other points, the report recommended that (a) the entanglement problem be factored into the development of the next edition of the five-year "Federal Plan for Ocean Pollution Research, Development, and Monitoring," a plan mandated under the National Ocean Pollution Planning Act, and (b) the President seek the advice and consent of the Senate to ratify Annex V of the

Convention for the Prevention of Pollution from Ships in that such action would provide an international authority prohibiting the disposal of all plastics including, but not limited to, synthetic ropes, fishing nets, and plastic garbage.

Another significant element in this issue is the efforts being undertaken by the National Marine Pollution Program Office of the National Oceanic and Atmospheric Administration. On 22-24 May 1984, the Office convened a workshop in Easton, Maryland, to assist it in identifying priority marine pollution issues to be addressed in the next edition of the Federal marine pollution plan. Representatives of the Marine Mammal Commission were invited and participated in the workshop at which they identified the issues of entanglement of marine mammals, sea birds, and turtles in ghost nets, traps, and other debris as one which the five-year plan should address. Other workshop participants, representing a broad spectrum of Federal, State, local, and private ocean interests, were unfamiliar with the issue and rated the entanglement issue low on its list of 50 ocean pollution issues.

Following the workshop, the National Marine Pollution Program Office distributed the preliminary workshop report to all participants for review and comment. The report reflected the low ranking assigned to the entanglement issue by participants. By letter of 25 March 1985, the Commission commented on the report noting that the participants developed a useful list of significant national pollution issues and that the report provided an accurate reflection of workshop results. With respect to the entanglement issue, however, the Commission commented that the low ranking vastly underestimated the issue's true importance. It also noted that the low ranking was not surprising since most workshop participants, unfamiliar with recently available information on the subject, could not be expected to fairly evaluate their significance. The Commission recommended that the National Marine Pollution Program Office reassess the low ranking assigned to the entanglement issue in light of recent information, and, to assist in this process, the Commission provided the Office with additional material describing the nature and magnitude of the problem.

By letter of 1 April 1985, the National Marine Pollution Program Office responded to the Commission's comments indicating that it agreed that the importance of the issue had been underestimated and that it would address the issue in the forthcoming edition of the Federal ocean pollution program plan. The Commission looks forward to receiving a draft of the plan for review and comment in 1986.

In its 1 April letter, the National Marine Pollution Program Office also indicated that it would welcome recommendations from the Commission on activities which it might support in furtherance of developing and disseminating information on the entanglement issue. After several discussions, the Commission wrote to the Office on 28 August 1985 proposing a transfer of funds from the Office to the Commission in support of a study to expand the information base on problems of entanglement and ingestion of non-degradable marine debris in the Gulf of Mexico, the Caribbean, the northwest Atlantic, the North Sea, and Australasia. Subsequently, the transfer of funds was executed and a description of activities supported under the project is provided in Chapter II of this report.

On 21 November 1985, Commission representatives participated in a meeting convened by the U.S. Coast Guard to prepare for U.S. participation in the 22nd session of the International Maritime Organization's Marine Environment Protection Committee to be held in London on 2-6 December 1985. Among other things, the Committee was scheduled to consider matters pertaining to Annex V of the Protocol Relating to the International Convention for the Prevention of Pollution from Ships (MARPOL). As indicated above, this Annex, which is not yet in force, would provide an international authority for prohibiting the discard of plastics, net materials and other debris which are the source of the entanglement problem.

Since the U.S. had not acted to ratify Annex V of MARPOL, Commission representatives, as well as participants from the National Oceanic and Atmospheric Administration and the environmental community, urged during the meeting that the U.S. actively consider ratification of the Annex. As a result of these discussions on 21 November, it was agreed that representatives of concerned Federal agencies would meet following the 2-6 December Committee meeting to consider appropriate U.S. action. The Commission looks forward to this meeting in early 1986, at which time it expects to continue to work for agreement on ratifying Annex V of the Convention and putting it before the Senate for its consideration.

CHAPTER VII

INCIDENTAL TAKE OF MARINE MAMMALS IN THE COURSE OF COMMERCIAL FISHING OPERATIONS

The Marine Mammal Protection Act directs the Secretaries of Commerce and the Interior, in consultation with the Commission, to develop regulations governing the incidental taking of marine mammals by persons subject to the jurisdiction of the United States and to develop effective international arrangements, through the Secretary of State, for the purpose of reducing the incidental taking of marine mammals to insignificant levels approaching a zero mortality and serious injury rate.

Although the incidental taking of marine mammals occurs in the course of several fisheries and involves several different species of marine mammals, the "tuna-porpoise" issue involving the incidental mortality and serious injury of porpoises entrapped in purse seine nets used by commercial yellowfin tuna fishermen has, over the past years, been the subject of the most intense concern, attention, and controversy. Of more recent concern has been the incidental taking of Dall's porpoises in the course of the Japanese salmon gill net fishery in the North Pacific Ocean, a portion of which occurs within the United States' 200-mile Fishery Conservation Zone, and the incidental take of southern sea otters in gill and trammel nets. The Commission's activities during 1985 related to the tuna-porpoise and Dall's porpoise issues are discussed below. A discussion on the incidental take of southern sea otters is included in Chapter VIII of this Report.

The Tuna-Porpoise Issue

Discussions of the Commission's past activities and a historical summary of the efforts to resolve this problem are presented in the Commission's previous Annual Reports. As discussed below, the Commission, the National Marine Fisheries Service, the U.S. tuna industry, and others continued to devote substantial attention to the issue in 1985.

The 1985 Fishing Season

The National Marine Fisheries Service issued final regulations on 31 October 1980 establishing an annual allowable take (quota) of 20,500 animals for each of the five years, 1981-1985. On 7 December 1980, a general permit to take porpoise in compliance with the final regulations and quotas was issued to the American Tunaboat Association. The overall quota and individual stock quotas as well as the regulations and general permit were extended by Congress in the 1984 amendments to the Marine Mammal Protection Act.

Estimates of the annual incidental take of porpoise by the U.S. tuna purse seine fleet since passage of the Marine Mammal Protection Act are listed below.

Year		Estimated Kill and Serious Injury
1972		368,600
1973		206,697
1974		147,437
1975		166,645
1976		108,740
1977		25,452
1978		19,366
1979		17,938
1980		15,305
1981		18,780
1982		22,736
1983		9,589
1984		17,732
1985	(preliminary estimate)	19,173

The estimated mortality and serious injury in 1983 was well below the average of the preceding five years and may have been due to a decline in the total number of U.S. purse seiners fishing in the eastern tropical Pacific Ocean. The estimate for 1984 and the preliminary estimate for 1985 (a final estimate will not be available until May 1986) indicate that the levels of mortality and serious injury in those two years were nearer the levels in the years 1978-1982, but still below the aggregate quota established in 1980.

The increase in the mortality and serious injury of porpoise in 1984 and 1985, compared to 1983, was due at least in part to the return of much of the U.S. tuna purse seine fleet to the eastern Pacific in 1984. At the same time, there has been a continuing increase in the number of foreign flag purse seiners fishing in the eastern tropical Pacific. Although there is no reliable information on the species being set on and the number of porpoise being killed or injured by a large part of the foreign fleet, there are indications that the mortality and injury of porpoise by foreign flag vessels now exceeds that by U.S. vessels. In this regard, the Inter-American Tropical Tuna Commission estimates that the total (foreign plus U.S.) porpoise kill in 1984 was 43,984.

To help address this problem, the Marine Mammal Protection Act was amended in 1984 (see below) to require that each foreign nation exporting tuna to the United States provide documentary evidence that it has adopted a regulatory program comparable to that of the U.S., and that the rate of incidental marine mammal mortality by its fishing vessels is comparable to that of U.S. vessels.

Research Activities and Research Planning

The Marine Mammal Protection Act prohibits the incidental take as well as the deliberate taking of marine mammals that are below their optimum sustainable population level. Therefore, before issuing a general permit or certificates of inclusion authorizing the incidental take of porpoises by U.S. tuna purse seiners, the National Marine Fisheries Service must assess the status of the affected porpoise stocks to assure that they are at optimum sustainable levels and will not be reduced below optimum levels as a result of the authorized taking.

The National Marine Fisheries Service did assessments in 1976 and 1979 of the status of porpoise populations affected by the yellowfin tuna purse seine fishery. As noted in the Annual Reports for Calendar Years 1983 and 1984, the Service established four scientific panels in 1983 to compile and analyze information in preparation for further stock assessments to be done prior to considering renewal in 1985 of the general permit issued to the American Tunaboat Association.

Because of questions and differing views concerning the reliability of data and the validity of assumptions upon which the stock assessments necessarily would be based, Congress amended the Marine Mammal Protection Act in 1984 to, among other things, legislatively reauthorize the general permit issued to the American Tunaboat Association. Furthermore, because of uncertainty concerning the status of several of the affected porpoise stocks and the possible effects of continued incidental take, the Act was amended to require that the National Marine Fisheries Service undertake a monitoring program to verify expected trends in the size of the affected porpoise populations. The amendment requires that the monitoring program commence by 1 January 1985 and continue for at least five consecutive years. It also requires that the status of the monitoring effort be discussed in the Service's Annual Reports to Congress, beginning with the 1985 Report. Expenditures of up to $4,000,000 were authorized for the period 1 October 1984 to 30 September 1988 to carry out the monitoring program. Funding was not requested of Congress for this purpose, and no appropriation was made.

As an initial step towards developing the required monitoring program, the Service's Southwest Fisheries Center held workshops on 19 September and 1-2 November 1984 to consider related policy issues and logistical requirements. On 6-8 February 1985, a third workshop was held at the Southwest Fisheries Center to review preliminary plans for research vessel surveys scheduled to begin in 1985 and to determine the sampling effort and time that likely would be required to detect various levels of change in the size of the affected porpoise populations. Representatives of the Marine Mammal Commission participated in these workshops.

By letter of 25 April 1985, the Director of the Southwest Fisheries Center advised the Commission that, because of funding and logistic constraints, he had decided not to begin the vessel surveys in 1985 as originally planned, but to initiate the program in 1986. Commission representatives met with the Director and staff of the Center in May and June 1985. The Commission was advised that the Service was developing a monitoring program consisting of three elements: (1) surveys of affected porpoise populations using dedicated research ships of the National Oceanic and Atmospheric Administration; (2) analyses of data collected by observers aboard tuna purse seiners; and (3) analyses of biological and behavioral data collected from both research and fishing vessels. The Commission was also advised that the Service planned to begin a two-vessel, 240-day survey in August 1986 and to hold a workshop in March 1986 to consider the use of observer data for detecting and monitoring population trends.

The Commission had a number of questions concerning funding and other aspects of the planned program and wrote to the Director of the Southwest Fisheries Center on 2 August 1985 to request clarification. In his 28 August 1985 response, the Director confirmed that the planned five-year program consisted of three elements as described earlier and noted that actual operational planning was awaiting final Congressional action on the Fiscal Year 1986 funding levels. He also indicated that: (1) the Southwest Fisheries Center had held preliminary discussions with the Inter-American Tropical Tuna Commission on 25 July 1985 to review procedures for collecting observer data and to enlist the Tuna Commission's cooperation in analyzing and evaluating the utility of observer data; (2) another jointly sponsored meeting would be held sometime in the fall to develop an operational plan for assessing and analyzing observer data; (3) biological studies were being continued, as a matter of priority, to better determine the discreteness and vital rates of porpoise populations affected by the fishery; (4) the Center's staff had investigated several options but had not yet made arrangements for necessary helicopter support; (5) the first research vessel surveys were planned for July-December 1986; (6) the recommended survey plan called for annual surveys using two vessels and one helicopter for 120 days each per vessel for five years; and (7) although current planning is for five years, it could take eight years to obtain adequate resolution of abundance trends, depending on the desired level of precision.

The information provided in the 28 August letter raised a number of additional questions and, by letter of 16 October 1985, the Commission conveyed these questions to the Service. A general review of the tuna-porpoise problem was held during the 24-26 October 1985 meeting of the Marine Mammal Commission and its Committee of Scientific Advisors and, during this review, the Director of the Southwest Fisheries Center addressed these and other questions asked by the Commission and the Committee.

On 13 November 1985, the Service convened a workshop at the Southwest Fisheries Center to determine if and how observer data can be used to detect and monitor trends in affected porpoise populations. During the meeting, Commission representatives noted that the Inter-American Tropical Tuna Commission had designated staff to work on the problem, but that the National Marine Fisheries Service had not yet done so. They also noted the importance of proceeding as quickly as possible to determine if and how observer data can be used and expressed the view that the Service's Southwest Fisheries Center should designate appropriate personnel to begin work on this problem as soon as possible.

Commission representatives commented on the draft workshop report sent to participants in December 1985. The final report, expected to be completed early in 1986, will be reviewed by the Commission, in consultation with its Committee of Scientific Advisors, to determine what additional measures may be needed to derive the maximum possible benefit from observer data.

Proposed Regulatory Amendments

As noted earlier, Congress reauthorized and amended the Marine Mammal Protection Act in 1984. One aspect of the 1984 amendments concerned the general permit issued to the American Tunaboat Association in 1980 to incidentally take marine mammals in the course of purse seine fishing for tuna. Through the amendments, Congress extended that general permit indefinitely, subject to conditions concerning the use of safety techniques and equipment and to quotas on the level of take. The amendments also authorized the Secretary of Commerce to make appropriate adjustments to the permit terms and conditions that are set forth in the tuna-porpoise regulations and pertain to fishing gear, fishing practice requirements, and permit administration. In authorizing those adjustments, Congress explained through legislative history that it would be consistent with the amendments for the Secretary to change a number of regulations and permit requirements to guidelines provided that those changes would further the goals of the Act.

On 2 May 1985, the National Marine Fisheries Service published in the Federal Register proposed amendments to the marine mammal regulations pertaining to U.S. vessels using purse seine gear to fish for tuna associated with porpoise in the eastern tropical Pacific Ocean. The purpose of the proposed amendments is to provide greater flexibility in the application of porpoise saving gear and techniques by either amending or deleting gear and procedural requirements that have been found to be unnecessary or unworkable.

Specific proposals include: a waiver system to be applied to the two speedboat limit for boats in transit through the general permit area; deletion of the daily log requirement; technical modifications to the requirements for safety panels; allowance for the optional use of either a "super apron" or fine mesh net to minimize porpoise mortality; deletion of requirements concerning the placement of bunchlines; allowance for the use of non-rubber rafts and viewboxes instead of rubber rafts and facemasks and snorkels; deletion of the currently suspended prohibition on sundown sets; deletion of certain requirements on the use of speedboats and hand rescue techniques; addition of a prohibition on bringing live porpoise on board the vessel during retrieval of the bow ortza; and technical amendments to requirements pertaining to certificates of inclusion, departure notification, inspections, trial sets, and the use of lights.

By letter of 1 July 1985, the Commission, in consultation with its Committee of Scientific Advisors, submitted comments on the proposed amendments. The Commission endorsed the effort to enhance the flexibility and effectiveness of the regulations. It pointed out, however, that the relevant goal of the Marine Mammal Protection Act is not merely compliance with the taking quotas but the reduction of the incidental kill or incidental serious injury of marine mammals to insignificant levels approaching a zero mortality and serious injury rate. It recommended that the final regulations emphasize this objective.

The Commission also recommended a more complete discussion of the data, analyses and assumptions that were used to support the conclusion set forth in the Federal Register publication that certain stocks of eastern tropical Pacific porpoise are increasing. The Commission noted that the proposed regulations may have set forth an overly optimistic assessment of the trends of the affected population stocks.

Finally, several specific recommendations were made with respect to the proposed amendments, including the recommendation that rather than deleting the sundown set prohibition the Service should retain it as a suspended provision of the regulations until ongoing research on the effectiveness of new lighting systems has been completed.

At the end of 1985, final amendments had not been published. Concurrent with the publication of those amendments, the National Marine Fisheries Service is expected to issue guidelines on porpoise saving techniques intended for use by owners and operators of U.S. vessels involved in commercial purse seine fishing for tuna. Draft guidelines were submitted to the Commission for review in October and comments were provided by letter of 7 November 1985, in which the Commission recommended, among other things, that the guidelines discuss both the importance of the observer system and the Act's goal of bringing about insignificant mortality and serious injury rates.

A second aspect of the 1984 amendments to the Marine Mammal Protection Act, as noted earlier, concerns the ability of the U.S. to influence the commercial fishing practices of foreign vessels involved in purse seine fishing for tuna. By letter of 21 July 1984, the Commission asked the National Marine Fisheries Service how it intended to implement the comparability requirements of the 1984 amendments. Discussions on this issue between the Commission and the Service were confirmed in the Commission's letter of 23 November 1984, in which it was indicated that the foreign nation comparability and reporting requirements would be implemented by regulation.

At the end of 1985, the Service had not issued proposed regulations for this purpose. Publication in 1986 is anticipated.

The Dall's Porpoise Issue

Dall's porpoise (Phocoenoides dalli) become entangled and die in gill nets used by Japanese salmon fishermen in the North Pacific Ocean. Pursuant to the International Convention for the High Seas Fisheries of the North Pacific, the Japanese are permitted to fish for salmon inside the U.S. 200-mile Fishery Conservation Zone. As noted in previous Annual Reports, the fishery is also subject to provisions of a Memorandum of Understanding between the United States and Japan on coordinated research efforts, the Marine Mammal Protection Act, the North Pacific Fisheries Act, and general permit requirements.

A general permit authorizing the Federation of Japan Salmon Fisheries Cooperative Association to incidentally take up to 5,500 Dall's porpoise, 450 northern fur seals, and 25 northern sea lions per year was issued for the 1981-1983 fishing seasons. Through the 1982 amendments to the North Pacific Fisheries Act, which implements the Convention in the United States, the general permit was extended until 9 June 1987. The amendments required the Japanese to adopt new fishing gear and techniques to reduce the incidental take of porpoise. In addition, the National Marine Fisheries Service is required annually to prepare a detailed action plan concerning monitoring, research, development, and other necessary actions.

In May 1984, the Service completed and released its "Final Action Plan for the Dall's Porpoise Program, 1984." During an 11-15 November 1984 review of the National Marine Mammal Laboratory's research program, the Commission considered the Action Plan and other recent information related to the Dall's porpoise program. The Commission's comments on that program were provided to the Service by letter of 11 December 1984. In that letter, the Commission requested: (1) a list of critical questions likely to be raised when renewal of the Dall's porpoise permit is considered in 1986; (2) an assessment of the likelihood that the current research program will provide answers to each of those questions; (3) a description of additional research requirements, if any, that cannot be answered by the current research program within the required time frame; and (4) a budget breakdown indicating funding, logistic support, and services being provided by Japan and by the United States.

On 13 March 1985, the National Marine Fisheries Service responded to the Commission's 11 December 1984 letter. In its response, the Service provided a Dall's porpoise population estimate of 1.0 to 1.5 million animals for the U.S. population, and reported on the status of efforts to determine historical abundance, net recruitment, optimum sustainable population level, and the level of incidental take. The Service identified these issues to be among the principal questions to be addressed in the context of a renewal of the Dall's porpoise incidental take permit. In addition, the Service indicated that for 1985, Japan would contribute $242,000 toward the U.S. portion of research on Dall's porpoise.

Under Section 14(a)(2) of the North Pacific Fisheries Act, Japan is required to have introduced new gear or fishing techniques into at least 50 percent of its drift gill net fleet by the 1985 fishing season. The National Marine Fisheries Service has authority under the Act to determine what types of fishing gear or techniques offer the most practical and effective opportunity for reducing porpoise mortality and to specify which of those must be adopted by the Japanese fleet. Although it concluded that more research on gear modifications is required, the Service determined in 1984 that three-strand, air-tube thread should be used in the gill nets employed by 50 percent of the Japanese catcherboats in 1986 and by 75 percent in 1986. It is hoped that this gear modification will make it easier for porpoise to detect and avoid gill nets through echolocation. The Japanese complied with the 50 percent requirement in 1985.

The National Marine Fisheries Service's 1985 Action Plan for Dall's porpoise calls for the United States to: (1) monitor the level of incidental take; (2) collect sighting data for estimating abundance; and (3) collect specimen material for biological studies. The Plan also indicates that Japanese efforts to obtain data on gear improvements and to conduct biological research from a dedicated vessel would continue. For purposes of monitoring incidental take, the Service placed 12 U.S. marine mammal observers on the mothership/catcherboat fleet in 1985.

During 1985, the incidental take of Dall's porpoise reported by the salmon mothership fishery was 2,424 animals inside the U.S. Fishery Conservation Zone. The estimated level of take is 2,760 animals. This level is below the annual quota of 5,500 animals. A take rate of 0.43 porpoise per gill net operation inside the U.S. Fishery Conservation Zone was reported in 1985. The estimated take rate for 1985 is 0.49 porpoise per gill net operation.

On 9 October 1985, the Senate Committee on Commerce, Science and Transportation conducted oversight hearings on high seas drift net fisheries, including the Japanese mothership and land-based salmon drift net fisheries in the Bering Sea and northern Pacific Ocean. The hearing focused on the interception of North American-source salmon, the incidental take of marine mammals and sea birds in actively-fished gear, and the entanglement of fish, marine mammals, and birds in derelict gill nets. Testimony was presented by representatives of the State Department, the National Marine Fisheries Service, the Fish and Wildlife Service, Japanese fishery interests, the State of Alaska, the North Pacific Fishery Management Council, and several environmental organizations and fishery associations.

With respect to the impact of the drift net fishery on marine mammals, it was noted by several witnesses that, in addition to the incidental take of Dall's porpoise, considerable numbers of fur seals are entangled and killed each year in lost or discarded fishing gear. It also was indicated that common dolphins and right whale dolphins are taken incidentally in the squid drift net fishery. Witnesses recommended a number of possible solutions related to the drift net fishery, including the implementation of net marking requirements, the establishment of an international convention for the conservation of living resources in the

North Pacific, and the curtailment or phase-out of drift gill nets.

In 1986, the Federation of Japan Salmon Fisheries Cooperative Association is expected to request renewal of its general permit to incidentally take Dall's porpoise. If a request is filed, the National Marine Fisheries Service will issue an environmental impact statement and undertake rulemaking procedures as required by Section 103 of the Marine Mammal Protection Act. The Commission will participate in all aspects of the review of a permit renewal request.

CHAPTER VIII

SPECIES OF SPECIAL CONCERN

The Marine Mammal Commission, in consultation with its Committee of Scientific Advisors on Marine Mammals, reviews the status of marine mammal populations and makes recommendations on necessary research and management actions as well as on designations with respect to the status of species or populations under the Marine Mammal Protection Act and the Endangered Species Act. During 1985, the Commission continued to concentrate efforts on several species of marine mammals designated as endangered or threatened, including the West Indian manatee, the Hawaiian monk seal, the California sea otter, the Gulf of California harbor porpoise, the bowhead whale, the right whale, the gray whale, and the humpback whale. Attention was also focused on the endangered, and perhaps extinct, Caribbean monk seal, the bottlenose dolphin populations in the southeastern United States, the Guadalupe fur seal, and the harbor porpoise population off the coast of California. A review of the Commission's activities regarding these species and populations follows.

West Indian Manatee (Trichechus manatus)

The West Indian manatee is one of the most endangered species of marine mammal found in the coastal waters of the United States. The largest concentration in the United States, and perhaps the world, is found in Florida where the population is estimated to number at least 1,200 animals. Although recent data suggest that the Florida population may be larger than previously estimated, the high level of manatee mortality in recent years raises serious doubts about the long-term survival of the population. Among the most serious threats to the Florida population are increasing levels of boat traffic and associated collisions between manatees and the hulls and propellers of boats, the loss of large numbers of manatees to thermal stress during periods of exceptionally cold winter weather, and the continuing degradation and destruction of essential manatee habitat due to coastal development and other human activities.

The known level of annual manatee mortality in U.S. waters since 1977 is presented in the following table. The figures include the number of manatee carcasses recovered by year and the number of animals known to have died but which were not recovered.

Year	Manatee Mortality Within Florida	Manatee Mortality Outside Florida	Manatee Mortality U.S. Total
1977	113	1	114
1978	84	0	84
1979	77	1	78
1980	63	4	67
1981	113	3	116
1982	117	6	123
1983	80	0	80
1984	128	3	131
1985	120	9	129

The high mortality level in 1982 was largely related to an occurrence of red tide in the Caloosahatchee River and its estuary in southwest Florida. The high levels of manatee mortality in 1977, 1981, 1984, and 1985 are related to extended periods of intense cold winter weather that occurred in Florida during those years. In addition, 1984 and 1985 were the two years with the highest recorded level of boat kills.

State and Private Activities

During 1985, the State of Florida continued to expand its efforts to protect manatees and their habitat. As noted in the Commission's previous Annual Report, the Florida State Legislature authorized for the first time, a withdrawal of $250,000 from the State's Motorboat Revolving Trust Fund for Fiscal Year 1984-85 for State manatee-related work. The same amount was authorized for Fiscal Year 1985-86. The funds have enabled the Division of Marine Resources in the Florida Department of Natural Resources to support an expanded manatee program and to increase the staff size to four during 1985.

In addition to continuing its ongoing enforcement, public education, and research efforts, the State initiated a number of new manatee-related activities during 1985. Among its new efforts, the State: assumed responsibility for operating the manatee salvage and necropsy programs, which had previously been carried out by the Fish and Wildlife Service; cooperated with the Gainesville Field Station of the Fish and Wildlife Service in supporting and carrying out radio-tracking studies to improve information on the distribution and movements of manatees; initiated aerial surveys in several areas of Florida to improve information on the distribution and abundance of manatees for use in reviewing dredge and fill permit applications and identifying potential boat speed regulatory zones; and established two new boat speed regulatory zones to reduce the risk of collisions between manatees and boats. In addition, as discussed below, the State made substantial progress in its efforts to acquire and protect habitats of critical importance to manatees in the Crystal River area of northwest Florida.

Substantial activities were also undertaken on behalf of manatees by the Florida Power and Light Company, a company with a history of sustained efforts to protect and conserve manatees. For economic reasons, Florida Power and Light has been considering suspending or modifying certain power plant operations at stations including those at Riviera Beach and Fort Myers, Florida. Warm-water effluent at these stations create winter refuges upon which manatees have come to depend during cold winter months. Recognizing the potential effect of its operating decisions on manatees, Florida Power and Light took steps to ensure that warm-water refuges continue to be available at these stations for use by manatees during cold winter periods.

At its Riviera station, the operation of one of the stations three electrical generating units was suspended in 1985. In order to maintain the temperature and size of the warm-water area traditionally used by manatees, Florida Power and Light installed a siphon which is successfully diverting warm-water effluent from station units remaining in operation. At its Fort Myers station, three wells are being developed to tap a warm-water aquifer which could be used during cold periods to provide a source of warm water for manatees when this station is not in operation. Although the wells were not fully operational at the end of 1985, the station was operated during cold periods in November and December and was expected to continue to operate during cold periods at least through the first several months of 1986. The Florida Power and Light Company also supported aerial surveys of manatees at certain warm-water refuges for the eighth year in a row and continued to produce and distribute manatee-related information to educate the public. Among other materials, Florida Power and Light has produced and printed a booklet describing the biology and conservation of manatees, a boaters guide to State manatee sanctuaries, and a manatee conservation bumper sticker. Over 100,000 copies of each have been distributed.

Protection of Essential Manatee Habitat

As noted in the previous Annual Report, a report entitled "Habitat Protection Needs for the Subpopulation of Manatees in the Crystal River Area of Northwest Florida" was completed in 1984 by the Manatee Working Group of the Commission's Committee of Scientific Advisors on Marine Mammals. The purpose of the report was to assess habitat protection needs for the subpopulation of manatees that winters in the Crystal and Homosassa Rivers along Florida's west coast.

This particular area was selected for careful analysis because: more manatees depend upon the warm-water springs in Kings Bay at the head of the Crystal River than on any other natural warm-water refuge in Florida; the regional subpopulation of manatees presently numbers more than 150 animals and is one of the only groups known to have been increasing in size in recent years; more is known about habitat use patterns of manatees in this area than any other area of Florida; the coastline is much less developed than most other parts of coastal Florida; and the Federal and State refuges and reserves which now exist in the region provide a good base for developing an integrated network of protected areas that could provide effective long-term protection for the regional ecosystem of which manatees are a part.

To assess habitat protection needs, the report compared information on regional manatee habitat requirements and habitat use patterns with information concerning the existing and planned system of Federal, State, and private habitat protection efforts. Based on that assessment, the report concluded that many of the most essential habitats for this subpopulation of manatees are not included within the regional habitat protection programs (e.g., refuges and reserves) which afford the greatest assurance of long-term habitat protection. Therefore, the report included a number of specific recommendations for expanding and otherwise strengthening the regional network of Federal and State habitat protection efforts.

Following review of the report by the full Committee of Scientific Advisors, the report was considered and accepted by the Commission and forwarded to the Fish and Wildlife Service by letter of 31 October 1984. Among other things, the Commission recommended that, as a first priority, steps be taken by the Fish and Wildlife Service to: (a) survey and, as appropriate, incorporate certain lands along the Crystal and northern Salt Rivers into the National Wildlife Refuge System as part of a new "Crystal River Manatee National Wildlife Refuge," and (b) complete the proposed Lower Suwannee National Wildlife Refuge, which contains essential summer habitat for the Crystal River manatee subpopulation. The Commission also recommended that, in cooperation with appropriate State agencies and private organizations, the Service develop and implement a long-range plan for acquiring and protecting certain essential manatee habitat such that the full range of the subpopulation's habitat requirements (e.g., winter refugia, summer feeding breeding and calving areas, and necessary migratory corridors) receive adequate levels of protection. At the same time the report was sent to the Service, the Commission also sent it to the Florida Department of Natural Resources and the Florida Game and Freshwater Fish Commission.

In response to the Commission's recommendations, representatives of the Jacksonville Endangered Species Field Office of the Fish and Wildlife Service convened a meeting of Federal and State agency representatives on 14 March 1985 in Homosassa Springs, Florida. The purpose of the meeting was to: (a) review recent progress by State and Federal agencies to acquire habitat essential to the subpopulation of manatees in the Crystal River area; (b) assess regional habitat protection needs and recommendations identified in the Commission report; and (c) develop and agree upon a cooperative plan of action to serve as the basis of a long-term Federal-State program to acquire and protect habitat essential for the survival and growth of the regional manatee subpopulation. Meeting participants included representatives of the Service, the Commission, and the Florida Department of Natural Resources.

During the meeting, a representative of the Florida Department of Natural Resources noted that: the State had several land acquisition projects in varying stages of development along the Crystal River and it had recently acquired several large tracts of land along the upper Crystal River and Kings Bay; receipt of the Commission's report coincided with a Department effort to develop an expanded land acquisition program along the Crystal River, and the report helped reinforce the State's interest in pursuing that effort; and the Department's preliminary plan was almost identical to the recommendation in the Commission's report concerning the acquisition of lands along Crystal River.

Representatives of the Fish and Wildlife Service noted that they shared the Commission's concern for protecting manatee habitat along the lower Suwannee River and they reported that several thousand acres had been acquired in recent months, in cooperation with The Nature Conservancy, as an addition to the Lower Suwannee National Wildlife Refuge. They also said that the Service was committed to completing acquisitions for the Refuge as soon as possible. Service representatives further noted that, pursuant to a recommendation in the "Proposed Research/Management Plan for Crystal River Manatees," (a recent review jointly supported by the Commission and the Service), it was anxious to strengthen protection of manatees in Kings Bay by acquiring a site on the Bay which would provide a base for public education and enforcement efforts as well as a headquarters for its regional refuge staff.

Considering these and other recent developments, meeting participants reviewed the analyses and recommendations contained in the Commission's report and developed an agreed-upon outline of cooperative Federal-State actions, ranked in priority order, to protect the most important manatee habitats. Among the identified actions were: the State would proceed with efforts to develop and implement its expanded land acquisition project along the Crystal and northern Salt Rivers; the Service would pursue efforts to consider the acquisition of a site on Kings Bay to serve as an interpretative center and headquarters for the Service's regional refuge staff; the Service would continue efforts to complete acquisitions for the proposed 56,000 acre Lower Suwannee National Wildlife Refuge; the State would investigate and, as possible, consider acquisition of lands surrounding the warm-water spring and spring run at the headwaters of the Homosassa River, the source of a second major warm-water refuge used by the regional manatee subpopulation; the Service would assess potential acquisitions to expand the northern boundary of the Chassahowitzka National Wildlife Refuge northward to include portions of the middle and lower Homosassa River; and the Service would contact the State's Suwannee River Water Management District to discuss acquisition of riparian lands along the Suwannee River upstream from the Lower Suwannee National Wildlife Refuge. In considering its recommended action plan, participants noted that intense development pressure in this area of coastal Florida made prompt action a matter of special urgency.

Following its review of the meeting report, in consultation with its Committee of Scientific Advisors, the Commission wrote to the Fish and Wildlife Service on 29 August 1985. In its letter, the Commission commended the Service on its progress towards completion of the proposed Lower Suwannee National Wildlife Refuge and on its efforts to coordinate and develop cooperative Federal-State actions to protect habitats essential to the survival of the regional manatee subpopulation. The Commission noted that the actions outlined in the report of the 14 March meeting were both appropriate and necessary and that they offered a blueprint for what could be one of the nation's foremost examples of a constructive, cooperative Federal-State program for protecting and managing habitat essential for an endangered marine mammal population in particular and for regional wildlife resources in general.

The Commission's 29 August letter also noted that the State's efforts to consider land acquisition in the Crystal River area appeared to obviate the need for the Service to act on the Commission's 31 October 1984 recommendation to expand the Crystal River National Wildlife Refuge. The Commission, therefore, recommended that the Service redirect its land acquisition efforts to carry out the actions identified in the meeting report, particularly those related to the northward expansion of the Chassahowitzka National Wildlife Refuge and the acquisition of an interpretative center/ headquarters site on Kings Bay. The Commission requested that the Service advise it of steps being taken to ensure that the Service's responsibilities under the cooperative plan of action would be actively pursued and met.

Also following the 14 March meeting, the Commission received a copy of the Annual Report of the State of Florida's Conservation and Recreational Lands Selection Committee. This Committee is responsible for identifying and ranking lands which might be purchased by the State for recreational or conservation purposes. The recommended list of projects is subsequently approved by the State's Governor and Cabinet. The Report noted that the Conservation and Recreational Lands Selection Committee recently had acted to include an expanded Crystal River project and the site at the headwaters of the Homosassa River on its list of recommended State land acquisition projects. The new additions, however, were not ranked high on the revised State list.

After reviewing the State's Report, the Commission wrote to the Florida Department of Natural Resources on 2 October 1985 commending it and the other State agencies represented on the Conservation and Recreational Lands Selection Committee for its accomplishments in adding the new areas to the State's recommended land acquisition list and for its recent acquisition of Crystal River area lands already listed. However, recognizing that listing alone did not guarantee eventual acquisition and that the State list included many other land acquisition projects which were undoubtedly important in their own right, the Commission urged that the State continue to give favorable consideration to the Crystal River area projects as other higher priority projects are completed. In particular, the Commission noted the special benefits and opportunities which would be afforded by complementary Federal-State acquisitions in the region, the importance of the Crystal River land acquisition projects for ensuring the long-term survival and growth of the regional manatee subpopulation, and the importance of prompt action due to the escalating pace of regional development.

The Florida Department of Natural Resources responded to the Commission by letter of 21 October 1985. In its letter, the Department thanked the Commission for its past and continuing support of cooperative efforts to encourage recovery of the manatee population in Florida. Noting its continuing commitment to support manatee protection, the Department also expressed confidence that, through the emerging combination of State and Federal funding sources for the Crystal River area, substantial progress would be made on additional land acquisition in near future.

On 17 December 1985, the Fish and Wildlife Service convened a second meeting in Homosassa Springs, Florida, to review progress on land acquisition efforts concerning the Crystal River manatee subpopulation. Participants included representatives of the Service, the Commission, the State of Florida, the Suwannee River Water Management District, and The Nature Conservancy. During the meeting, Fish and Wildlife Service representatives reported that: the Service had obtained options to purchase a site on Kings Bay which could be used as an interpretative center/refuge headquarters; with the assistance of The Nature Conservancy, it had purchased additional lands for the Lower Suwannee National Wildlife Refuge expanding Refuge holdings to more than 35,000 acres; and steps were being taken to initiate preparation of an assessment concerning the possible expansion of the Chassahowitzka National Wildlife Refuge northward to include portions of the lower Homosassa River. In addition, a representative of the Florida Department of Natural Resources reported on progress being made to list and acquire projects on the State's recommended Conservation and Recreational Lands acquisition list. The representatives of the State's Suwannee River Water Management District noted that planning efforts were underway for assessing land acquisition priorities along both the lower and upper Suwannee River.

The cooperative and complementary steps now being taken by Federal and State agencies and private organizations to acquire and protect manatee habitat in the Crystal River area may offer the best hope for the long-term protection of manatees as well as many other species of fish and wildlife indigenous to the coastal region of northwest Florida. The ambitious plan of actions as described above reflects an enlightened ecosystem approach to regional habitat protection. During 1986, the Commission looks forward to further cooperation with Federal and State agencies and private organizations on these and other actions pertaining to the protection of manatees in Florida and elsewhere.

Hawaiian Monk Seal (Monachus schauinslandi)

The Hawaiian monk seal occurs in a limited area around the Northwestern Hawaiian Islands and is in serious danger of extinction. Harassment and over-exploitation by sealers brought the species to the brink of extinction during the 19th century. Its survival is due in part to the cessation of sealing and in part to the isolation of its habitat in the Northwestern Hawaiian Islands. However, the population has declined since the first systematic counts were made in the 1950s. In 1983, the estimated population size was roughly half the estimated population size in 1958. The total pup production in 1983 was only about 160 animals. Without a sustained and vigorous effort by the responsible Federal and State agencies, the public, and regional industry groups, the Hawaiian monk seal may soon share the fate of the Caribbean monk seal, which is thought to be extinct, and the Mediterranean monk seal, which now occurs only in a small fraction of its historic range.

Protection and conservation of the Hawaiian monk seal is the responsibility of the National Marine Fisheries Service under provisions of the Marine Mammal Protection Act and the

Endangered Species Act. Because the species' range includes the Hawaiian Islands National Wildlife Refuge, the Fish and Wildlife Service shares responsibility for protecting the Hawaiian monk seal and its habitat.

The Commission's efforts during the past several years to promote the protection of the monk seal have been described in past Annual Reports. Congressional concern for survival of the species has been evident from the special funding and attention it has directed to monk seal issues since Fiscal Year (FY) 1981. For that fiscal year, the Commission received a special $100,000 appropriation to aid in developing and implementing an effective research and management plan. In FY 1982, Congress directed the National Marine Fisheries Service to invest $400,000 in monk seal work and, in the following year, the Service was directed to budget $150,000 for that purpose. Congress also provided the Commission $150,000 for monk seal efforts in FY 1983, and, after identifying and developing a recommended plan for accomplishing priority research and management tasks, the Commission transferred the entire $150,000 to the Service to carry out its recommended program. In FY 1984 and FY 1985, Congress increased the Service's appropriation for monk seal work to $300,000 and $350,000, respectively.

As noted in the previous Annual Report, in 1984, the Fish and Wildlife Service completed a draft master plan for management of the Hawaiian Islands National Wildlife Refuge. The Commission, in consultation with its Committee of Scientific Advisors, reviewed the draft plan and forwarded comments and recommendations to the Service on 9 November 1984. In its comments, the Commission questioned whether continued and expanded support of fishery development in the Northwestern Hawaiian Islands, as proposed in the draft plan, was compatible with other higher priority Refuge objectives, such as protecting endangered and threatened species. The Commission particularly questioned proposed use of Tern Island as a site for recreational activities, gear storage, and aircraft operations in support of a multi-species mothership fishery in the area, as proposed as part of the draft plan's Preferred Alternative. The Commission recommended that, if the Service had not already done so, it undertake consultations with the National Marine Fisheries Service pursuant to Section 7 of the Endangered Species Act to ensure that the proposed action would not jeopardize the Hawaiian monk seal or habitat critical to the species' survival.

On 27 February 1985, the Fish and Wildlife Service wrote to the National Marine Fisheries Service requesting formal Section 7 consultations on the proposed Master Plan for the Hawaiian Islands National Wildlife Refuge. The resulting Biological Opinion, issued by the National Marine Fisheries Service on 14 August 1985, concluded that most of the management strategies under the Preferred Alternative would promote the conservation of the Hawaiian monk seal and the green sea turtle, another endangered species. The Biological Opinion stated, however, that increased human activity on Tern Island for recreational purposes, gear storage, and aircraft operations would adversely affect reproduction, recruitment, and distribution of Hawaiian monk seals and would likely jeopardize the continued existence of the species. In the Biological Opinion, the National Marine Fisheries Service recommended that Tern Island logistical support for fishing activities be limited to current levels.

As noted in previous Annual Reports, the National Marine Fisheries Service issued a Draft Environmental Impact Statement in 1980 proposing that certain waters and lands in the Northwestern Hawaiian Islands be designated as critical habitat for the Hawaiian monk seal pursuant to the Endangered Species Act. A Final Environmental Impact Statement has not been issued and the Service has not made a final determination with respect to the 1980 proposal. However, in December 1984, the Service issued a Supplemental Environmental Impact Statement proposing that waters and lands within the 10-fathom isobath surrounding the islands and atolls in the Northwestern Hawaiian Islands be designated critical habitat for the Hawaiian monk seal.

The Commission, in consultation with its Committee of Scientific Advisors, reviewed the Supplemental Statement and, by letter of 15 February 1985, provided comments and recommendations to the Service. In its letter, the Commission reiterated the conclusion put forth in its 14 May 1980 comments on the Statement that the preferred and best supported alternative was to designate critical habitat out to the 20-fathom isobath rather than to the 10-fathom isobath, as proposed in the Supplemental Environmental Impact Statement. The Commission also noted that the Hawaiian Monk Seal Recovery Team had concluded in 1980 that critical habitat should include waters out to the 20-fathom isobath around the islands and atolls of the Northwestern Hawaiian Islands, plus the submerged lands shallower than 20 fathoms at Maro Reef.

Therefore, the Commission recommended that Alternative One, which would extend habitat boundaries to the 20-fathom isobath, be modified to include submerged areas around Maro Reef shallower than 20 fathoms and that the Service adopt this alternative as the Preferred Alternative. The Commission further recommended that: (1) if the Service had not already done so, it ask the Hawaiian Monk Seal Recovery Team to review the Supplemental Statement and other relevant information and that the results of this review as well as the Recovery Team's 1980 statement on critical habitat be included in the Service's Final Environmental Impact Statement; and (2) the Supplemental Statement be expanded to include a more complete and accurate analysis of available information on diving behavior and habitat use patterns of monk seals at sea.

At the end of 1985, the National Marine Fisheries Service had not yet announced its final determination on designation of monk seal critical habitat. Under the provisions of the Endangered Species Act, the Service has one year from the time of its proposed rulemaking in which to announce a final decision. It is expected that such a decision will be announced early in 1986.

On 2 April 1985, the National Marine Fisheries Service forwarded to the Commission a Combined Draft Fishery Management Plan, Environmental Assessment, and Regulatory Impact Review for the Bottomfish and Seamount Groundfish Fisheries of the Western Pacific Ocean, prepared by the Western Pacific Fishery Management Council. The Commission, in consultation with its Committee of Scientific Advisors, reviewed the document and, by letters of 12 April and 7 May 1985, provided comments and recommendations. In its 12 April letter, the Commission noted that, based on a preliminary review of the draft plan, the basis for the plan's determination that the proposed action would not jeopardize Hawaiian monk seals was not apparent. The Commission further noted that it was not clear whether all relevant information had been considered. Therefore, the Commission recommended that, if the Service had not already done so, it enter into immediate consultation with the Hawaiian Monk Seal Recovery Team to determine if the proposed action was likely to adversely affect Hawaiian monk seals. The Commission also recommended that, if the Service or the Western Pacific Fishery Management Council had not already initiated formal Section 7 consultations under the Endangered Species Act, further consideration of the draft plan be suspended until such consultations were completed. By letter of 12 April, the Service advised the Commission that the Service's Southwest Regional Office was in the process of preparing a Biological Opinion as required by Section 7 of the Endangered Species Act.

Following a more extensive review of the draft plan, the Commission, in consultation with its Committee of Scientific Advisors, forwarded additional comments and recommendations to the Service on 7 May. In the letter, the Commission endorsed the proposed permit system and the proposed restriction on use of nets as a means of increasing protection of monk seals. The Commission noted, however, that the bottomfish fishery could affect monk seals in a number of ways not considered in the Environmental Impact Assessment. For example, the Commission pointed out that monk seals that feed in the same areas where fishing occurs might be killed or injured while attempting to take hooked bait or hooked fish. The Commission also pointed out that seals could damage or destroy deployed gear and/or hooked fish. The Commission recommended that the likelihood of such interactions be considered during the Section 7 consultations and that the management plan be revised to reflect any relevant findings and any reasonable and prudent alternatives identified as a result of the consultation.

The Commission further recommended that the environmental assessment be expanded to: (a) provide additional information on the at-sea movements and habitat use patterns of Hawaiian monks seals and to compare that information with the expected distribution of bottomfish fishing off the Northwestern Hawaiian Islands; (b) provide a more complete analysis of possible impacts from monk seal/bottomfish fishery interactions; (c) identify research and monitoring measures that would be undertaken to ensure that possible adverse effects on monk seals and other endangered species are avoided or detected and mitigated; and (d) identify steps that would be taken to ensure that all fishermen permitted to fish for bottomfish in the Northwestern Hawaiian Islands are aware of potential interactions and relevant regulations necessary to protect Hawaiian monk seals and other endangered and non-endangered species. Finally, since the Service's 12 April letter made no mention of consultations with the Hawaiian Monk Seal Recovery Team, the Commission restated its earlier recommendation that the Service consult with the Recovery Team during the Section 7 review process to ensure that all relevant information on monk seals was identified and appropriately considered.

On 4 October 1985, the National Marine Fisheries Service sent the Commission a revised Combined Draft Fishery Management Plan for the Bottomfish and Seamount Groundfish Fisheries of the Western Pacific Region. The revision differed from the earlier draft in that it: (1) recommended establishing an experimental fishing permit system to authorize fishing in areas or with certain gear that would otherwise be prohibited; and (2) eliminated previously proposed restrictions that limited access to the bottomfish fishery in the Northwestern Hawaiian Islands.

The Commission reviewed the revision and, by letter of 31 October 1985, forwarded its comments to the National Marine Fisheries Service. In its letter, the Commission expressed concern that the proposed changes would seriously compromise efforts to control growing fishing pressure and to protect the endangered Hawaiian monk seal. The Commission recommended a number of additional steps that should be taken to ensure, insofar as possible, that bottomfish fisheries in the western Pacific region do not adversely affect the Hawaiian monk seal population or its habitat. Specifically, the Commission recommended that the management plan: (a) identify the steps to be taken to ensure that bottomfish fishermen are aware of and understand applicable laws, regulations, and reporting requirements concerning interactions with Hawaiian monk seals and other endangered or threatened species; (b) provide for the establishment of criteria and procedures for issuing experimental fishing permits; (c) ensure that the annual reviews to be conducted by the Bottomfish Monitoring Team address information and problems concerning fishery interactions with endangered or threatened species as well as problems concerning the stocks of target fish species; and (d) identify the research and monitoring programs needed to resolve uncertainties concerning possible direct and indirect effects of bottomfish fishing operations and related activities on monk seals and other endangered species. With respect to the last point, the Commission recommended that the Fishery Management Plan specify the need for controlled experiments to determine whether, where, and how monk seals and other endangered or threatened species might be affected by permitted fishing activities.

During 1986, the Commission will continue to work with the National Marine Fisheries Service, the Fish and Wildlife Service, and the Hawaiian Monk Seal Recovery Team to evaluate the effectiveness of steps that have been and are being taken to protect and encourage recovery of the Hawaiian monk seal and to identify additional measures that may be necessary.

Caribbean Monk Seal (Monachus tropicalis)

Historically the Caribbean monk seal occurred primarily in the Caribbean Sea and the Gulf of Mexico; prehistorically it apparently ranged as far north as South Carolina. While the species is thought to have once been abundant, overexploitation by hunters and loss of habitat resulting from human activities reduced the monk seal to perilously low levels as early as 1851. The last confirmed sighting of the species in the United States was in 1922. The last verified record of the species was a small monk seal colony on Seranilla Bank, between Honduras and Jamaica, in 1952.

Although it was possible that the species might already be extinct, the Caribbean monk seal was listed in 1979 as endangered under the Endangered Species Act. The listing was considered necessary to protect any individual animals that might still survive.

During 1985, the National Marine Fisheries Service reviewed available information on the Caribbean monk seal as part of its five-year status review pursuant to the Endangered Species Act. The Service concluded that, on the basis of the best available evidence, the species is extinct. The Service therefore recommended that the Caribbean monk seal be removed from the Endangered Species List.

Despite a widespread belief that the species is extinct, there have been unconfirmed reports as recently as the early 1980s of sightings of what may be Caribbean monk seals along the north coast of Haiti. In an attempt to verify these sightings, the Commission contracted in 1985 for a survey of fishermen and other residents of the area to identify, document, and assess the reliability of recent and past sightings. The resulting report is expected to be available early in 1986.

As part of its continuing review of the status of marine mammal populations, the Marine Mammal Commission's Working Group on Endangered Species reviewed available information on the Caribbean monk seal during 1985. The Working Group concluded that, although prospects for the species continued existence are exceedingly small, there remains a faint hope that some animals may still survive. The Working Group recommended that, as long as such hope remains, the Caribbean monk seal should remain listed on the Endangered Species List. In addition, it recommended that efforts should be made to alert residents in the species' historic range of the possible existence of surviving monk seals and that information should be made available to help them recognize and differentiate the species from other species of pinnipeds, such as California sea lions, that may have been released in the area.

During 1986, the Commission will review any new evidence in a continuing effort to determine whether any individuals of this species survive.

The California Sea Otter Population (Enhydra lutris)

Because of its small size and limited distribution, the remnant sea otter population in California is vulnerable to oil spills and other catastrophic events. Primarily for this reason, the population was designated as threatened under the Endangered Species Act in January 1977. The most effective way to reduce the threat from such events is to establish one or more sea otter colonies outside the population's present range. While such an action could adversely affect commercial and recreational fisheries for abalone, clams, and other invertebrate species eaten by sea otters, it also could reduce populations of sea urchins and other herbivores that sea otters eat, and thus enhance the growth of kelp, a product of commercial significance that also provides habitat for certain finfish species of recreational and commercial importance.

To facilitate protection and recovery of the California sea otter population, while minimizing possible adverse impacts on commercial and recreational fisheries, the Commission, in December 1980, recommended that the Fish and Wildlife Service adopt and implement a management strategy recognizing the ultimate need for "zonal" management of sea otters and the need to establish one or more sea otter colonies at a site or sites not likely to be affected by an oil spill in or near the population's present range. The Fish and Wildlife Service concurred with the Commission's recommendation and incorporated the zonal management concept into the Southern Sea Otter Recovery Plan, which it adopted in February 1982.

Past Commission efforts to facilitate development and implementation of an effective Southern Sea Otter Recovery Plan are described in previous Annual Reports. The Commission's activities in this regard in 1985 are summarized below.

Incidental Take

The incidental take of sea otters was either insignificant or unrecognized when the California sea otter population was designated as threatened in 1977. The first documentation of the existence and possible significance of the problem was provided by the California Department of Fish and Game and others in 1982. In that year, the Commission provided funds to the California Department of Fish and Game to augment ongoing studies of the problem and to help coordinate work being supported by various organizations in order to expedite collection of needed data.

In addition, in 1983, the Commission provided funds to continue and expand observations of gill and trammel net fisheries in and near Morro Bay and Monterey Bay. The Commission continued funding for this work during 1984 and the major portion of 1985. By letter of 25 November, however, the Commission advised the Fish and Wildlife Service that the Commission contract for these observations had expired on 31 October 1985 and that the California Department of Fish and Game no longer had funds available for this work. In its letter, the Commission stated that continued use of observers is critical for enforcement as well as for assessing the effectiveness of measures taken to prevent the incidental take of sea otters. The Commission recommended that the Service place high priority on continuation of the observer program. The Commission added that, while it no longer had funds available for this work, it was willing to assist the Service in exploring options for support of this important aspect of the sea otter recovery effort.

As was noted in the previous Annual Report, the report submitted by Commission-funded observers and the studies undertaken by the California Department of Fish and Game, provided the first reasonably good documentation of the magnitude of the incidental take problem in 1984. In a draft report issued in September 1984 by the California Department of Fish and Game, it was estimated that between 1973 and 1983 an average of 105 otters were killed annually through entanglement in gill and trammel nets. Available information indicates that most losses due to incidental take occur in large mesh nets that are set for halibut within the 15-fathom depth curve. A complete breakdown of incidental take mortality for the period from 1973 through 1983 is shown in the following table prepared by the California Department of Fish and Game:

Estimates of incidental take of sea otters in set nets calculated from estimates of set net effort 1973-1983[1]

Year	Number of Landings	Estimated Mortality
1973	457	49
1974	645	69
1975	[no data provided]	69
1976	980	105
1977	663	71
1978	874	93
1979	1449	154
1980	1407	150
1981	1578	168
1982	1057	113
1983	696	74

As the data set forth in the California Department of Fish and Game report indicate, the incidental take problem is a substantial threat to the continued existence and recovery of the California sea otter population. In recognition of the severity of this threat, the Commission has taken an active role in seeking solutions to the problem. Details on Commission efforts in this regard prior to 1985 are described in previous Annual Reports.

Thousands of sea birds also are caught in gill and trammel nets and, to avoid or reduce the incidental take of seabirds, as well as sea otters, the State of California enacted legislation in July 1984 prohibiting fishing with gill and trammel nets inside the 15-fathom depth contour in certain areas including Monterey Bay. Preliminary monitoring surveys indicate that this action has been effective in reducing the number of sea otters entangled in gill and trammel nets in Monterey Bay. It is possible, however, that this closure may have shifted fishing efforts to other areas and increased the level of incidental take of sea otters and other marine mammals in those locations.

At the end of 1984, the California Department of Fish and Game initiated a public review process to determine what action, either regulatory or legislative, would be appropriate to address the incidental take of sea otters in areas beyond Monterey Bay in a manner that would not be unnecessarily restrictive on fishing interests.

---

[1] Estimate of effort is based on the number of landings of set net boats within the sea otters' range. Estimated take is based on the rate of take observed in 1983.

In a 2 January 1985 letter to the California Secretary of Resources, the Fish and Wildlife Service identified the very serious nature of the incidental take problem and urged the State to undertake immediate legislative and regulatory action that would eliminate the incidental take of sea otters. By letter of 16 January 1985, the Fish and Wildlife Service informed the California Department of Fish and Game that it supported an emergency closure to prohibit set net fishing activities within the sea otter range. In this letter it was observed that, unless the problem could be dealt with quickly and effectively, there was a substantial likelihood that the population would have to be reclassified as endangered. The Service stressed the importance of law enforcement efforts and indicated its willingness to assist in enforcement and public information activities.

As a result of this review, an emergency regulation was promulgated on 25 January 1985 to prohibit use of gill and trammel nets in waters less than 15 fathoms deep from Waddell Creek, Santa Cruz County, to Point Sal, Santa Barbara County. Prior to the expiration of this regulation, the California General Assembly, on 24 May 1985, passed a law establishing a permanent 15-fathom closure. This closure was co-extensive with the emergency regulation and prohibited set net fisheries within a 220-mile stretch of the California coast.

Notwithstanding this action, sea otter mortalities incidental to gill and trammel net fishing continued to be reported. In July and August 1985, seven confirmed and three probable deaths were observed in waters 15 fathoms or greater in depth. In response, the California Department of Fish and Game promulgated another emergency regulation that established a 20-fathom closure for the 17 miles of coast between Cape San Martin and Piedras Blancas. This closure took effect on 22 August 1985 and expired on 20 December 1985. Subsequent to the closure, one additional net-related mortality was observed in Monterey Bay in waters deeper than 15 fathoms. Taking two January 1985 mortalities into account, ten confirmed and three probable deaths were observed in 1985.

During their meeting in San Diego, California, on 24-26 October 1985, the Marine Mammal Commission and its Committee of Scientific Advisors on Marine Mammals devoted a full day to consideration of issues related to sea otters in Alaska and California. A considerable portion of this discussion focused on fishery interaction problems and incidental take. As a result of the discussions during this and other sessions of the meeting, the Commission and the California Department of Fish and Game agreed to work together to convene a workshop on marine mammal/fisheries interactions in

California during 1986. In late 1985, the Commission was completing the necessary preparatory steps to organize the workshop.

Translocation Decision-Making Process

In a Federal Register notice published on 27 June 1984, the Fish and Wildlife Service announced its intention to prepare an environmental impact statement on a proposal to translocate a portion of the California sea otter population to a site within the species' historic range off the Pacific coast of the United States. This action is called for in the Southern Sea Otter Recovery Plan and has been recommended by the Marine Mammal Commission on several occasions. As described in the Federal Register notice, the proposal would involve the issuance of experimental population regulations under the Endangered Species Act, permits under both the Endangered Species Act and the Marine Mammal Protection Act, and compliance with a number of Federal and State laws. Details of the Fish and Wildlife Service's translocation proposal are set forth in the previous Annual Report.

As part of the environmental impact statement preparation process, the Fish and Wildlife Service initiated a formal scoping process and held public scoping meetings on 23 and 24 July 1984 in Santa Barbara and Monterey, California, respectively. In addition, the Service established an Interagency Project Review Team, as recommended by the Council on Environmental Quality, to participate in the scoping process and otherwise assist the Service in preparation of the environmental impact statement. The Review Team is composed of representatives from the California Department of Fish and Game, the Fish and Wildlife Service, the Marine Mammal Commission, the Minerals Management Service, and other interested Federal and State agencies. Public meetings of the Review Team were held on 4 June, 6 August, and 4 October 1984. Non-governmental participants in these meetings have included representatives of environmental groups, the oil and gas industry, and sport and commercial fishing organizations. The meetings have been used to discuss a variety of issues related to translocation, including the topics to be addressed in the environmental impact statement, alternatives to the proposed action, the time schedule and procedures for drafting the environmental impact statement, U.S. Coast Guard vessel routing procedures, and oil spill risk analysis issues.

Early in 1985, a determination was made by the Fish and Wildlife Service that it would not be possible to complete the decision-making process in time for a translocation in 1985. Anticipating that a translocation would take place in 1986, the Service distributed a preliminary draft environmental impact statement to the Interagency Project Review Team and other interested parties for review and comment.

Comments were received during February and March 1985, and the Service undertook the preparation of a revised preliminary draft environmental impact statement.

The Fish and Wildlife Service's translocation proposal was given Congressional consideration during 1985 hearings on reauthorization of the Endangered Species Act. These hearings took place on 14 March 1985 before the Subcommittee on Fisheries and Wildlife Conservation and the Environment of the House Committee on Merchant Marine and Fisheries and on 18 April before the Subcommittee on Environmental Pollution of the Senate Committee on Environment and Public Works. Testimony was presented by interested parties on the need for one or more translocations and the resource management conflicts that are likely to be associated with translocation.

In an effort to achieve a consensus on how the translocation decision-making process should be carried out and what some of the legal consequences would be if the translocation were successful, the House Committee on Merchant Marine and Fisheries convened several meetings of involved agencies and interested parties. In part as a result of these meetings, the Committee approved H.R. 1027, a bill reauthorizing the Endangered Species Act. On 27 July 1985, the House of Representatives passed the bill, Section 5 of which addresses the translocation of sea otters.

Section 5 is intended to serve as a free-standing provision of the Endangered Species Act. This means that its requirements would continue to apply even if the sea otter were to be delisted under the Act. The purpose of the amendment is to encourage the development and implementation of a plan for the establishment of at least one additional population of sea otters at another location. Within that context, it seeks to resolve resource management conflicts that could arise as a result of a translocation.

If enacted, Section 5 of H.R. 1027 would require the development by regulation of a plan that includes pertinent information on the manner in which the translocation will be carried out. That plan would be required to specify a translocation zone that would meet the habitat needs of the translocated animals and provide a buffer from the possible adverse effects of activities that may occur outside the zone. Animals found within this zone would be subject to all applicable protections of the Endangered Species Act and the Marine Mammal Protection Act. The plan also would be required to specify a management zone. This area is to surround the translocation zone and represents the area from which sea otters are to be excluded. Sea otters found within this zone are to be removed by feasible, non-lethal means and are provided with fewer legal protections than those that are found within the translocation zone. The final significant component of the translocation plan is to be a general description of the expected relationship between the successful establishment of a translocated population and the status of the species under the Endangered Species Act.

In order to remove constraints under the Marine Mammal Protection Act that sea otters be taken only for research purposes, Section 5 provides that actions necessary to effect the relocation or management of sea otters under the plan shall not be considered violations of either the Endangered Species Act or the Marine Mammal Protection Act. In an effort to provide as much certainty as possible concerning the possible effects of the translocation on fisheries, offshore oil and gas development, and other activities, the proposed amendment provides for an early consultation procedure to be initiated and completed prior to the translocation. Only those activities that had advanced to a stage where, in the judgment of the Secretary, meaningful consultation could take place would be subject to this requirement. Anticipating implementation of a translocation plan in 1986, the House bill set 1 April 1986 as the deadline for requests for early consultation.

On 4 December 1985, the Senate Committee on Environment and Public Works approved a reauthorization bill that did not include the House-passed amendment. At the end of 1985, no action had been taken by the full Senate on Endangered Species Act reauthorization. Resolution of differences between H.R. 1027 and the Senate bill, S. 725, therefore must await further action in 1986.

On 7 August 1985, the Fish and Wildlife Service wrote to the Commission providing information on baseline ecological studies being conducted at San Nicolas Island, California, and observing that, due to events related to Endangered Species Act reauthorization, it might not be possible for the Service to complete the translocation decision-making process in time for implementation in 1986. The Commission responded by letter of 30 August, explaining that translocation could be accomplished in 1986 if final action on Endangered Species Act reauthorization were taken by Congress in 1985.

At the 24-26 October 1985 meeting of the Commission and its Committee of Scientific Advisors, representatives of the Fish and Wildlife Service stated that the Service was committed to bringing about a translocation in 1986, provided that Congress indicates in a timely fashion whether it will amend the Endangered Species Act to address sea otter translocation. By letter of 25 November 1985, the Commission stated its support for this approach and urged the Service to make the necessary funds available.

The lack of final Congressional action on Endangered Species Act reauthorization by the end of 1985 makes it unlikely that the decision-making process can be completed in time for a translocation in 1986. To plan for translocation in 1987, the Service is expected to call upon the Interagency Project Review Team early in 1986 for further review of draft decision-making documents with publication of a draft environmental impact statement to follow.

General Program Review

On 14 September 1983, the Commission advised the Fish and Wildlife Service of the steps it considered necessary to carry out an adequate program for the protection and recovery of the California sea otter population. The principal recommendations set forth in that letter are as follows: (1) expedite assessment of incidental take and proceed with actions to reduce or eliminate the problem; (2) determine the optimal design and establish agreed-upon schedules and procedures for conducting periodic population surveys; (3) complete the Sea Otter Mapping Project; (4) select a translocation site or sites and develop a proposed translocation plan or plans that can be subjected to legal, environmental, and economic evaluation and assessment; (5) develop and begin implementing an agreed-upon plan for assessing alternative methods for protecting and containing sea otters in designated zones; (6) facilitate the compilation, evaluation, and publication of existing survey, tagging, and mortality data; (7) update the Southern Sea Otter Recovery Plan and initiate development of a Comprehensive Work Plan; and (8) engage a full-time Sea Otter Activities Coordinator.

Considerable progress has been made in meeting these objectives. During 1984 and 1985, the Fish and Wildlife Service took actions on each of the recommendations set forth in the Commission's 1983 letter. Significant developments include the initiation of the translocation decision-making process, the completion of the Mapping Project, ongoing efforts to resolve incidental take problems, the 1984 containment workshop, and the hiring of a full-time Fish and Wildlife Service Sea Otter Coordinator.

For purposes of obtaining information on the progress that has been made on these general program objectives, one entire day of the 24-26 October 1985 meeting of the Marine Mammal Commission and its Committee was devoted to sea otter issues. Testimony was presented by the Fish and Wildlife Service, the California Department of Fish and Game, the Minerals Management Service, the Friends of the Sea Otter, commercial and sport fishing interests, the oil and gas industry, and others. Through these presentations, up-to-date information was provided on population status, incidental take, translocation, marine mammal/fisheries interactions, oil spill risks, the recovery plan and related issues, and problems and opportunities concerning sea otters in Alaska. The discussion on each of these topics laid the groundwork for further action in 1986 on the objectives set forth in the Commission's 1983 letter.

Humpback Whale (Megaptera novaeangliae)

Humpback whales, which are found throughout the world's oceans, are among the several species of great whales that have been severely reduced in number as a result of past commercial whaling. Since 1966, commercial exploitation of the species has been prohibited by the International Whaling Commission. In the United States, it is listed as endangered under the Endangered Species Act. However, humpback whales, still taken by subsistence whalers in Greenland, may also be threatened in other areas by human activities such as commercial shipping, recreational boating, offshore oil and gas development, commercial fisheries, and coastal development.

As noted in the Commission's previous Annual Report, the Commission participated in a review of the National Marine Mammal Laboratory's research programs, including its cetacean research program, on 13-15 November 1984. By letter of 11 December 1984, the Commission provided the Service with comments on the review noting, among other things, that it was apparent that funding and logistic support for the cetacean research program was not adequate to effectively meet all relevant data needs and that, because all necessary research needs had apparently not been fully described, available funding might not be being used to the best possible advantage. As an example, the Commission noted that there was no plan for long-term studies to assess and monitor the North Pacific population of humpback whales and its habitat or to identify and evaluate needed conservation measures. The Commission therefore asked to be advised of steps being taken or contemplated by the Service to develop and implement recovery plans for humpback whales, and for right whales, bowhead whales, and other endangered cetaceans as required by the Endangered Species Act.

On 13 March 1985, the Service wrote to the Commission in response to the 11 December letter. With respect to the aforementioned comments, the Service noted, among other things, that: it had not yet developed recovery plans for the eight species of whales listed as endangered; recovery plans for endangered and threatened species may not be required if such a plan is not likely to promote conservation of the species; it is uncertain whether or how a recovery plan would enhance the protection of endangered whales; priority attention for developing recovery plans and establishing recovery teams is being given to species which it considers more likely to benefit from such a plan, including Hawaiian monk seals and various sea turtles; and once it proceeds with developing recovery plans for endangered whales, it would give particular attention to humpback, right, and bowhead whales. The Commission continues to believe that preparation and implementation of recovery plans for endangered whales, whose range is primarily or substantially within U.S. jurisdiction, would be both useful and appropriate and, as noted in the section on right whales, it formally recommended by letter of 31 December 1985 that the Service develop, adopt, and implement recovery plans for populations of endangered humpback, right, and bowhead whales.

During 1985, the Commission received the final report of a project that it had supported on identification, behavior, reproduction, and distribution of humpback whales in Hawaii. Among other things, the results of that study suggest that the use by mothers and calves of nearshore waters off the west coast of Maui had decreased substantially during the period 1977-79 to 1983. The report also suggested that increasing human activities, including direct interactions between whales and vessels, increased use of specific areas by boaters and concessionaires, increased land runoff, and the occurrence of changing water quality and pollution, could be significant factors contributing to the apparent change in the distribution of mothers and calves.

Concerned about possible long-term implications of increasing levels of human activity on the future availability and use of an important nursery area for the North Pacific population of humpback whales, the Commission contracted for a study to determine the distribution and number of humpback whales and their relationship to boating activity in nearshore Hawaiian waters from January through April 1985. The Commission also contracted for a study in 1985 to review available information bearing on the conservation and protection of humpback whales in Hawaii. These studies are described in Chapter II of this Report. The Commission looks forward to receiving the results of these studies, at which time it will consider further actions that may be necessary and appropriate to assure protection of the humpback whales which winter in Hawaiian waters.

Also during 1985, the National Park Service published final rules and regulations for the protection of humpback whales in Glacier Bay in southeast Alaska. Published on 10 May 1985 in the the Federal Register, the final rules reflect the Commission's 18 May 1984 comments and recommendations on the proposed regulations. These are described in the Commission's previous Annual Report. The regulations establish: a permit system for vessels entering the Bay; vessel operating restrictions; a mechanism for designating whale waters and vessel limits to respond to special whale protection needs which may arise; and protection for species of fish and crustaceans on which humpback whales feed.

During 1986, the Commission will continue to work with the National Marine Fisheries Service, the States of Hawaii and Alaska, the National Park Service, and others on matters concerning the protection of humpback whales and their habitat.

Bowhead Whale (Balaena mysticetus)

It is thought that at least five or six separate bowhead whale populations once existed. Over-exploitation by commercial whalers between 1600 and 1900 reduced these populations to extremely low levels throughout the species' ranges. The largest surviving population is the Bering Sea population, which occurs in the Beaufort, Chukchi, and Bering Seas off Alaska and Canada. This population is of great importance to Alaska Eskimos, who continue to hunt bowhead whales for subsistence and cultural purposes.

Consideration by the International Whaling Commission

As described in the Marine Mammal Commission's previous Annual Reports, the International Whaling Commission (IWC) reviews information on the status of the Bering Sea stock of bowhead whales and establishes quotas on the aboriginal/ subsistence take of whales from this as well as other whale stocks. In 1977, the IWC adopted a total ban on the take of bowhead whales by Alaska Eskimos. Later that same year, it modified its ban in recognition of Eskimo subsistence and cultural needs. Since 1977, a series of limited quotas have been adopted by the IWC to meet the needs of Alaska Eskimos while allowing the bowhead whale stock to increase towards its maximum sustainable yield level. In 1983, the IWC adopted a two-year block quota of 43 strikes for the 1984 and 1985 bowhead whaling seasons with a stipulation that no more than 27 strikes be made in either year. As noted in Chapter III of this Report, the IWC again considered aboriginal/ subsistence whaling quotas for bowhead whales during its 1985 meeting.

During the 1985 meeting, the IWC was advised by its Scientific Committee that, based on improved information concerning the size of the stock, the best estimate of abundance for the Bering Sea stock of bowhead whales had been revised upward to 4,417 animals (range 2,613 to 6,221). No new information, however, was available on the natural mortality rate or annual net recruitment rate for the population, and the Scientific Committee therefore recommended to the IWC that any new catch limits be set with caution. In view of this and other information on the take of whales by Alaska Eskimos, the IWC adopted a three-year block quota which modified its previous quota covering the 1985 bowhead whaling season and set new quotas for the 1986 and 1987 seasons. The new block quota provides that 26 whales may be struck in each of the three years and that strikes not used in any one year may be used during the following year. No more than 32 strikes, however, are to be made in any one year.

Eskimo Whaling

In order to provide Alaska Eskimo whalers with substantial opportunity and responsibility for regulation, monitoring, and enforcement of the bowhead whale hunt, the National Oceanic and Atmospheric Administration and the Alaska Eskimo Whaling Commission signed a cooperative agreement in 1981, recognizing each party's responsibility for bowhead whale management. In particular, the agreement recognized the National Oceanic and Atmospheric Administration's primary responsibility for managing the bowhead whale stock while also recognizing the responsibility of the Alaska Eskimo Whaling Commission to allocate a mutually agreed quota among Alaska's whaling villages and to monitor the hunt for compliance with the regulations. The quotas set by the IWC and the results of the Eskimo hunts since 1977 are shown in the table below.

Quotas and Catch of Bowhead Whales
By Alaska Eskimos, 1977-1987

Year	Quota*		Actually Landed	Struck But Lost	Total Whales Struck
	Landings	Strikes			
1977	[No quota]		26	82	108
1978	14	20	12	6	18
1979	18	27	12	15	27
1980	18	26	16	18	34
1981	45**	65**	17	11	28
1982			8	11	19
1983			9	9	18
1984		43***	12	13	25
1985		26****	11	6	17
1986			--	--	--
1987			--	--	--

* In general, in establishing quotas on both the number of whales landed and the number of strikes, the IWC stipulated that whaling should cease whenever the number of whales landed or the number of strikes reached the specified number, whichever came first.

** In 1980, a block quota was set for the three years 1981 to 1983, with a further stipulation that, in any one year, the number landed should not exceed 17 and the number of strikes should not exceed 27.

*** In 1983, a block quota was set on strikes alone for 1984 and 1985, with the further stipulation that the number of strikes in any year may not exceed 27.

**** In 1985 a block quota was set for the three years 1985 to 1987, with the stipulation that strikes not used in any one year may be used the following year, provided that no more than 32 strikes occur in any one year.

Research Planning and Coordination

When the IWC modified its total ban on the subsistence take of bowhead whales in December 1977, it acted in part on a pledge by the U.S. Commissioner to the IWC that the United States would undertake a comprehensive research program on the species. Responsibility for planning and implementing the U.S. bowhead whale research program has been carried out by the National Marine Mammal Laboratory of the National Marine Fisheries Service. Additional research concerning bowhead whales has also been conducted or supported by the Alaska Eskimo Whaling Commission, the North Slope Borough, the oil and gas industry, the State of Alaska, the Fish and Wildlife Service, and the Minerals Management Service. Since 1977, IWC action to adopt subsistence whaling quotas for bowhead whales has carefully considered and reflected research results.

The role of the Marine Mammal Commission in developing a comprehensive research plan and initiating efforts to coordinate related bowhead whale research projects has been described in its Annual Reports for Calendar Years 1977 through 1979. Since 1981, the National Marine Mammal Laboratory has assumed responsibility for annually organizing and convening the necessary coordination meetings involving the agencies mentioned above. In 1985, the bowhead whale research coordination meeting was held on 24-25 January 1985 in Anchorage, Alaska. Marine Mammal Commission representatives participated in the meeting.

During the meeting, the groups involved in field research summarized the results of 1984 activities and discussed plans for 1985. In general, activities planned for 1985 continued the research conducted in 1984, with slight modifications. The principal bowhead whale research efforts include the following.

(1) Visual and acoustic censuses during the spring migration in the vicinity of Barrow (North Slope Borough): During the bowhead spring migration, a visual census is conducted from ice camps; however, not all the whales can be seen. An acoustic census procedure is being developed to help determine the number of whales that are not detected, thereby providing a more accurate index of the size of the bowhead population. Although the acoustic census procedure is providing useful information, poor weather conditions in 1985 seriously hampered both the visual census and the calibration between visual and acoustic censuses.

(2) Photo-identification and photogrammetric aerial surveys (National Marine Fisheries Service): Information from these studies will provide details on the relative numbers of animals within different size categories of the

population and ultimately may help determine the age structure and an estimate of net recruitment for the bowhead whale population. In 1985, the Service changed the time and location of its aerial surveys from late summer/early autumn in the eastern Beaufort Sea to late spring off Barrow. In order to collect additional data and to provide continuity with data collected in past years, a photogrammetric study was conducted in the eastern Beaufort Sea during late summer/early autumn of 1985. This work was supported by the oil and gas industry, with partial funding provided by the Marine Mammal Commission and the National Marine Fisheries Service (see Chapter II of this Report for additional details). At the end of 1985, the results of both surveys were still being analyzed.

(3) Impact of oil and gas exploration and development (Minerals Management Service): To better determine how offshore oil and gas activities may affect bowhead whales, the Service is supporting distributional surveys and field studies of bowhead whale feeding. The latter studies, started late in 1985, will help determine the location and importance of summer feeding grounds off the North Slope of Alaska.

(4) Improvement in the techniques used to take bowhead whales for subsistence purposes (Alaska Eskimo Whaling Commission): During 1985, efforts were continued to improve the equipment and methods used in the annual bowhead whale hunt so as to reduce the number of animals struck but lost and to develop the most humane whaling techniques possible. Results from the 1985 efforts are not yet available.

As a related matter, also noted in Chapter III of this Report, the Marine Mammal Commission initiated a thorough analysis of U.S. IWC-related policies late in 1985. Among other things, the Commission's analysis considered U.S. obligations to the IWC with respect to bowhead whale research. Based on a preliminary review completed before the end of 1985, the Commission concluded that the National Marine Mammal Laboratory should continue to convene annual meetings to review and coordinate bowhead whale research and should convene a meeting of involved Federal and State agencies, Native groups, and industry early in 1986. The Commission also concluded that continued National Marine Fisheries Service funding of research to better determine the net recruitment rate for the Bering Sea stock of bowhead whales was of critical importance for the U.S. to meet its obligations to the IWC and to provide information essential for managing the bowhead population. As noted in Chapter III, the Commission expects to forward these and other recommendations concerning both bowhead whales and the IWC to the National Oceanic and Atmospheric Administration early in 1986.

Right Whale (Eubalaena glacialis)

The right whale is the world's most endangered large whale. Over-exploitation by commercial whalers in the 19th and early 20th centuries reduced the species to a fraction of its original size and only a few small groups of animals remain. Along the northeast coast of the United States and Canada, for example, the right whale population has been estimated to number in the low hundreds and perhaps fewer than 200 animals. While the taking of right whales has been prohibited for nearly 50 years, the species' preference for coastal areas exposes it to a number of human activities that pose new threats to the whales and their habitats.

The Commission's efforts prior to 1985 to enhance protection of right whales and their habitat in the western North Atlantic and to encourage the species' recovery are described in past Annual Reports. Briefly, these have included: a Commission-sponsored workshop in 1979, which resulted in the development of a general plan for East Coast cetacean and pinniped research; Commission funding to help implement portions of that plan; Commission support for an international workshop on right whales in 1983, which further identified priority research and management needs for the species throughout its worldwide range; and the provision of funds to establish a right whale sighting network in the southeast United States. In 1984, the Commission provided funds to support: aerial surveys of right whales in the Great South Channel east of Cape Cod, Massachusetts; aerial and shipboard surveys to better document the number and movements of right whales in the Bay of Fundy; and two workshops to develop a research and management plan identifying steps that should be taken to protect and encourage recovery of the northwest Atlantic right whale population.

The workshops, sponsored cooperatively by the Commission and the Habitat Protection Branch of the National Marine Fisheries Service, Northeast Region, were held at the New England Aquarium in Boston, Massachusetts, on 11-12 February and 10-11 June 1985. The report of the workshops was submitted to the Commission in December 1985. It summarizes available information on the natural history, current and former distribution and abundance, and potential threats to the western North Atlantic right whale population. The report notes that fisheries development, offshore oil and gas development, environmental pollution, and a number of other factors could affect the whales and/or habitats essential to the survival and recovery of the population. It outlines and indicates the relative priority of actions that should be taken to (a) better determine and monitor the status of the population and habitats necessary to its survival and (b) better assess and eliminate or mitigate threats to the population and its essential habitats.

The Commission, in consultation with its Committee of Scientific Advisors, reviewed the report and, on 31 December 1985, forwarded it to the National Marine Fisheries Service. In its transmittal letter, the Commission outlined six tasks that it considered to be of greatest immediate importance. These are efforts to: (1) continue and expand aerial and shipboard surveys in the area offshore Cape Hatteras to central Florida, in the Great South Channel, and in the Bay of Fundy in order to (a) better locate and define probable wintering grounds, (b) obtain more accurate estimates of population size, age/sex composition, and annual calf production, and (c) determine when, where, how, and how frequently to conduct surveys to most cost-effectively detect and monitor population trends; (2) continue and expand efforts to establish, maintain, and use a photo-identification system to facilitate documentation of habitat-use patterns and identification of areas of special importance to right whales and to better determine the size, age/sex composition, and productivity of the right whale population in the western North Atlantic; (3) expedite development of standard and/or satellite-linked radio tags to facilitate documentation of winter distribution patterns and obtain more reliable information on daily activity patterns, seasonal movements, and migratory routes of right whales; (4) complete compilation and analysis of historic catch, sighting, and other relevant records to provide better estimates of former distribution and abundance; (5) review and evaluate available data on fisheries and fish resources, marine debris, and other environmental contaminants and on the physical, chemical, and biological characteristics of areas where right whales are regularly observed to better determine and identify critical data gaps; and (6) continue and expand investigation and necropsy of beach-cast whale carcasses to better determine and monitor the frequency and causes of mortalities and the levels of potentially harmful contaminants present in the tissues of beach-cast right whales and other large cetaceans.

In its 31 December letter, the Commission noted that the Endangered Species Act requires the National Marine Fisheries Service to develop recovery plans for listed species, such as the right whale. To fulfill this requirement, the Commission recommended that the Service: (1) adopt the recommended research and management plan included in the workshop report as a preliminary recovery plan; (2) review the recommended research and management plan to determine those tasks that should be carried out or supported by the Service and those that should be carried out or supported by other agencies; (3) convene a meeting of Canadian and U.S. agency representatives, no later than

March 1986, to consider ways to implement the recommended research and management plan; (4) constitute a recovery team to complete and oversee implementation of the recovery plan; and (5) adopt and periodically review and update the recovery plan.

The Commission further recommended that, if it had not already done so, the Service take such steps as are necessary to develop, adopt, and implement recovery plans for populations of humpback whales, bowhead whales, and any other endangered cetaceans that occur primarily or substantially in waters under U.S. jurisdiction.

In 1986, the Commission will help support and participate in a workshop being organized by the Georgia Conservancy to review and identify additional steps that may be necessary to assess and protect possible right whale calving grounds off the coasts of Georgia and northern Florida. (See Chapter II, Research and Studies Programs, for additional information on this workshop.) The Commission also will continue to work with the National Marine Fisheries Service and other Federal agencies and organizations to ensure that urgent research and management needs for right whales are identified and carried out as promptly and as efficiently as possible.

Gray Whale (Eschrichtius robustus)

The gray whale occurs in coastal waters of the North Pacific Ocean. Like other species of great whales, gray whales were reduced to low levels by intense whaling pressure prior to the mid-1900s. Two separate stocks are currently recognized, a Korean or western Pacific stock, which may be extinct or close to extinction, and a California or eastern Pacific stock, which has made perhaps the most remarkable recovery of any depleted great whale population and which many biologists believe is at or near its pre-exploitation population level. Each year, members of the eastern Pacific population migrate as much as 10,000 miles along the North American coast between winter calving grounds off Mexico and summer feeding grounds off Alaska and the Soviet Union. Archaeological and historical evidence suggests that gray whales once existed in the North Atlantic Ocean but have apparently been extinct since the seventeenth century.

Commercial exploitation of the eastern Pacific gray whale population began in 1845, at which time its size is estimated to have been about 15,000 animals. It is possible, however, that aboriginal whaling prior to 1845 already may have reduced the population from a level of perhaps 24,000 animals. By 1900, the population was at or near economic extinction and commercial whalers turned their attention to other species. In 1946, commercial whaling for gray whales was prohibited under the International Convention for the Regulation of Whaling. Limited whaling to meet aboriginal/subsistence needs, however, was and continues to be permitted. As noted in Chapter III of this Report, during its 1985 meeting the IWC set a subsistence whaling quota of 179 gray whales for this purpose in 1986. In 1970, additional protection was provided for gray whales when the species was designated as endangered under the Endangered Species Conservation Act of 1969, the predecessor to the Endangered Species Act of 1973. Under this protection, the California gray whale population has recovered to a level currently estimated at about 16,000 animals.

The gray whale calves, breeds, and migrates near shore and, although commercial whaling does not pose a threat, the whale's nearshore presence exposes it to an increasing number of new threats associated with human activities. Such activities include shoreline development, dredging, coastal gill and trammel net fisheries, offshore oil and gas exploration and production, salt mining, and whale watching. To provide a better basis for identifying and evaluating the possible adverse effects of increasing human activities, particularly in the calving/breeding lagoons of Baja California, Mexico, the Commission sponsored a series of studies beginning in 1974. These are described in previous Annual Reports.

Under the Endangered Species Act, the National Marine Fisheries Service is required to review the status of listed whales and seals at least once every five years. In 1984, the Service completed a five-year status review for gray whales and announced the availability of the results in the Federal Register on 9 November 1984. The Service's review concluded that the California gray whale population has been increasing at a rate of about 2.5 percent per year and has recovered to a level near its pre-exploitation population level. However, because of its limited calving grounds and dependence on nearshore coastal waters, which are subject to increasing human development and use, the Service's review concluded that the stock should be listed as threatened under the Endangered Species Act of 1973. The Service also concluded that the Korean stock has not recovered and should remain listed as endangered.

Anticipating that the Service might request comments on an action to reclassify the status of the gray whale under the Endangered Species Act, the Working Group on Endangered Species of the Commission's Committee of Scientific Advisors undertook a review of information on the status of gray whales during 1985. The Working Group's draft report, which also considered species other than gray whales, was presented to the Commission and its Committee of Scientific Advisors at their meeting in San Diego, California, on 24-26 October 1985. Based on its analysis, the Working Group concluded that: the California stock is near the level it was at in 1845 and is increasing; as the California population continues to expand towards its carrying capacity level, animals may move to the western Pacific and help repopulate the Korean stock; and, while there is some basis for removing the California population from the list of species covered by the Endangered Species Act, the Commission should support reclassification of the population as threatened because of its dependence on coastal waters which are subject to increasing human development and use.

As of the end of 1985, the National Marine Fisheries Service had not proposed any change in the gray whale's status under the Endangered Species Act. During 1986, the Commission's Working Group expects to complete its report and provide formal recommendations on the status of gray whales and certain other marine mammals. During the process of completing its report, the Working Group will consider any new information that becomes available and will revise its conclusions and recommendations appropriately.

In addition to the Working Group's status review, the Commission sponsored a workshop in Monterey, California, on 16-18 October 1985 to determine and describe research needs and opportunities relative to the conservation and protection of gray whales. The objectives of the workshop were to: (a) review current knowledge and ongoing and planned research concerning the biology, ecology, and conservation of gray whales; (b) identify human activities that could have significant adverse effects on gray whales or habitats essential to their survival and productivity; (c) identify critical gaps in existing knowledge of the biology and ecology of gray whales; (d) determine how gray whale studies might contribute to understanding and resolving methodological and management problems involving other species of cetaceans; (e) describe the types of research needed to fill the critical data gaps, and the time, money, or other resources that would be required to do the needed research; (f) identify the types of monitoring programs needed to detect and determine population trends; and (g) prepare a report that can be used as a basis for developing a five-year plan for meeting key research need and opportunities. Participants included scientists from Mexico and the United States.

A draft report on the workshop is expected to be available early in 1986. The Commission anticipates that this report will provide the basis for the development of a long-term research plan needed to direct and coordinate gray whale research and management. The Commission looks forward to working with the National Marine Fisheries Service and with scientists and administrators from Mexico, Canada, and the Soviet Union to develop and implement this plan.

Gulf of California Harbor Porpoise (Phocoena sinus)

The Gulf of California harbor porpoise, also known as the vaquita in Mexico, is one of the smallest and least-known cetaceans. There are only about 40 confirmed records of the species, including 14 during the past year. Its range is thought to be limited to the northern portion of the Gulf of California, Mexico. Field surveys of the area, supported by the Commission in 1976 and again in 1979, resulted in only a few probable sightings.

As noted in the Commission's past two Annual Reports, a petition was submitted to the National Marine Fisheries Service by Defenders of Wildlife in 1983, proposing that the Gulf of California harbor porpoise be listed as threatened under the Endangered Species Act. In response, the Service published a Federal Register notice on 3 June 1983 in which it noted that the action may be warranted and solicited any additional information that might help in evaluating the status of the species. The Commission responded to that request by letter of 14 September 1983. In its letter, the Commission provided an analysis and recommendation supporting action by the Service to list the species as endangered, rather than threatened. The Service concurred with the Commission's analysis and, on 25 April 1984, it proposed that the Gulf of California harbor porpoise be listed as endangered. On 29 June 1984, the Commission wrote to the Service noting that the proposed action was consistent with its earlier comments and that it supported the proposal.

On 9 January 1985, the National Marine Fisheries Service determined that the Gulf of California harbor porpoise was endangered pursuant to the Endangered Species Act, and, effective 8 February 1985, the species was added to the Endangered Species List. In support of its action, the Service noted that the determination was based on the following: (a) the presumed low number of animals; (b) the known mortality associated with incidental taking in fisheries for more than 40 years in the Gulf of California; and (c) the continuation of similar fisheries. In addition, there is concern over the possible adverse effects of increased pesticide runoff into the Gulf of California and the reduction in the flow of water into the Gulf resulting from the damming of the Colorado River.

The primary concern for this species is related to the level of incidental take in the gill net fishery for totoaba (Cynoscion macdonaldi). This fishery operated from the late 1940s through 1975 in the Gulf of California. In 1975, the fishery was closed due to depletion of totoaba stocks, but there has been recent interest in reopening the fishery. An experimental gill net fishery for totoaba was operated during 1985, and thirteen harbor porpoise were taken incidental to those activities.

In 1985, the Commission contracted for an examination of carcasses of harbor porpoise taken incidentally to the totoaba fishery and to train students in methods of small cetacean identification, collection, and museum preparation. A final report is expected early in 1986. Preliminary results indicate that the training program has helped bring to light a number of new specimens of this poorly known species, thereby confirming its continued existence and adding valuable new information concerning its biology and ecology.

During 1986, the Commission will continue to assist, as possible, in efforts to increase knowledge and enhance the protection of this species.

Harbor Porpoise (Phocoena phocoena)

Central California Population

The harbor porpoise, one of the smallest cetaceans, occurs in temperate coastal areas throughout most of the world, including the waters off Europe, the Far East, and both coasts of North America. Because of its nearshore distribution, the species is particularly vulnerable to water pollution and coastal set net fisheries.

As noted in previous Annual Reports, it became apparent in 1983 that the rapidly growing use of gill and trammel nets off northern and central California was causing a large incidental kill of harbor porpoise and other non-target marine species. The Commission, as also noted in previous Annual Reports, called the problem to the attention of the National Marine Fisheries Service in November 1983. By letter of 12 January 1984, the Service advised the Commission that: it had been working with researchers from the California Department of Fish and Game to determine the extent of the problem; the level of incidental mortality had increased off San Mateo, San Francisco, and Marin Counties; existing data indicated that interactions with fisheries were occurring primarily at the southern part of the harbor porpoise range; the seasonal abundance of harbor porpoise in this portion of the range is at a minimum when fishing effort is maximum; an aerial survey of the Farallon Basin conducted in October 1983 indicated that harbor porpoise abundance in this area was comparable to that observed during surveys in 1980, 1981, and 1982; and the California Department of Fish and Game was proposing legislation to prohibit net fishing in affected areas off San Mateo, San Francisco, and Marin Counties.

The State, as noted in the Commission's 1984 Annual Report, subsequently enacted legislation, which went into effect in July 1984, to restrict the use of gill nets off San Mateo, San Francisco, and Marin Counties. In addition, the California Department of Fish and Game increased its fishery observer program. In September 1984, the National Marine Fisheries Service, in cooperation with the California Department of Fish and Game, the Oregon Department of Fish and Game, and the Washington Department of Game, conducted a combined aerial/shipboard survey to census harbor porpoise in coastal waters from Point Conception, California, to Cape Flattery, Washington.

The restrictions on the use of gill nets did not eliminate and may not have reduced the incidental take of harbor porpoise, sea birds, and other non-target species. Consequently, Representative Barbara Boxer and four other California Representatives wrote to the National Marine Fisheries Service and the Fish and Wildlife Service on 21 February 1985 expressing their concern about the potentially harmful effects of gill and trammel net fisheries along the central and northern California coast. The National Marine Fisheries Service's 3 April 1985 response to this letter did not address a number of critical issues and, by letter of 23 July, Representative Boxer requested additional information. The Service's 27 September 1985 response to this second letter indicated, among other things, that: (a) the Southwest Fisheries Center's budget for harbor porpoise work was being reduced in 1986 since more extensive Fiscal Year 1984-85 survey work was being completed and carried forward by less expensive data analysis and monitoring programs, and (b) the Service would continue to work with the State to collect and analyze data and take steps to resolve the problem rather than using Federal authority to further restrict fishing areas or prosecute fishermen for incidentally taking porpoise without proper authorization under the Marine Mammal Protection Act.

In 1985, the National Marine Fisheries Service conducted two additional harbor porpoise surveys -- one in late January/early February and one in September, the latter in cooperation with several agencies. The California Department of Fish and Game also continued its fishery observer program begun in 1983, but was unable to expand the program to the desired level. To help offset this, the Commission, as described in Chapter II, provided funds to the California Marine Mammal Center to hire qualified observers to augment the State's observer program.

The Commission also contracted with a veterinarian to recover and do necropsies on marine mammal carcasses found washed up on beaches in the Point Reyes National Seashore.

During the 1983/1984 fishing season, observers watched 1,312 nets being pulled off central California and saw 27 harbor porpoise caught in those nets. During the period July through October 1983, 42 harbor porpoise carcasses were found on beaches in Marin, San Francisco, and San Mateo Counties. Only a fraction of the total net pulls were observed and California Department of Fish and Game biologists estimate that approximately 300 harbor porpoise were caught incidentally during the 1983/1984 fishing season.

In 1984, observers watched 629 nets being pulled off central California and saw 21 harbor porpoise caught in those nets. In 1985, 26 harbor porpoise were caught in 266 observed net pulls. Although the analyses have not yet been completed, these data suggest that the incidental take of harbor porpoise may have increased in both 1984 and 1985.

The impact of incidental take depends, in part, upon the size and age/sex composition of the population or populations being affected. Analysis of the data collected during the aforementioned aerial/shipboard surveys conducted by the National Marine Fisheries Service will provide estimates of harbor porpoise abundance in different areas along the coast from Point Conception to Cape Flattery. However, it is not known whether harbor porpoise in the survey area are part of a single population or constitute several more or less discrete local populations.

Assessing annual and seasonal changes which may occur in the distribution, movements, abundance, and age/sex composition of harbor porpoise in the areas of set net fisheries may be the only way to determine whether the harbor porpoise are either part of one or more relatively small resident populations or part of a large panmictic population whose range may extend throughout the rim of the North Pacific Basin. Radio-tagging and tracking a representative sample of harbor porpoise in or near the area affected by the fisheries may be the most practical way to determine annual and seasonal changes in distribution and movements. To facilitate development and implementation of a radio-tagging and tracking program, the Commission, in consultation with its Committee of Scientific Advisors, developed and, on 6 December 1985, forwarded a program scope of work to the National Marine Fisheries Service.

The described work will take at least two years to complete and will cost about $75,000. Recognizing that the

Service may be unable to provide all of the funding necessary to initiate the project in Fiscal Year 1986, the Commission indicated that it was prepared to transfer funds to the Service to help fund the first phase of the project, with the understanding that the Service would provide the funding in subsequent years necessary to complete the project.

At the end of 1985, the Commission was awaiting the Service's response. The Commission also was waiting to receive and review the results of a Service-sponsored feasibility study to determine whether there are differences in the ratios of chemical pollutants in blubber samples from harbor porpoises found washed up on beaches in Washington and California. If there are significant differences, it will support the hypothesis that harbor porpoise off California and Washington do not have overlapping distributions and may be part of separate and discrete populations.

Bottlenose Dolphin (Tursiops truncatus)

The bottlenose dolphin is the most common cetacean in the coastal waters of the southeast United States and is the cetacean species most frequently maintained in captivity for public display and scientific research. Capture of bottlenose dolphins for these purposes began early in the 1900s and as many as 1,800 animals appear to have been taken from coastal U.S. waters prior to passage of the Marine Mammal Protection Act in 1972. In the waters of Florida alone, at least 600 animals were taken from 1970 to 1972. Since that time, authorizations have been granted to collect 591 bottlenose dolphins in U.S. waters, of which 423 were actually collected as of the end of 1985.

Despite the considerable number of animals that have been removed from U.S. waters, these removals probably have not had a significant adverse effect on the species as a whole. However, the species does not occur uniformly throughout its range and a number of more or less discrete "local" populations may exist. If so, repeated captures and removal of animals from certain geographic areas could have an adverse effect on these local populations. Such effects could be compounded by incidental take in fisheries and by disturbance and environmental degradation resulting from coastal development, offshore oil and gas development, and other human activities.

The National Marine Fisheries Service is responsible, under the Marine Mammal Protection Act, for assuring that live-capture and removals do not have significant adverse effects on individual bottlenose dolphins or the populations of which they are a part. To help meet this responsibility, the Service, in consultation with the Commission, developed and, in 1977, adopted a system for regulating the number of bottlenose dolphins authorized to be taken annually from specified management areas. The following year, again in consultation with the Commission, the Service convened a workshop to determine the information necessary to (a) accurately identify and assess the status of populations that may have already been affected by the removal of animals and (b) better determine the number of animals, by age and sex, that could be taken from various management areas without causing possible local populations to be reduced below their optimum sustainable levels. Subsequently, the Southeast Fisheries Center of the National Marine Fisheries Service developed and initiated a long-range program for assessing and monitoring the number, age/sex composition, and productivity of dolphins in areas where past and current collection activities were concentrated.

Although funding has been limited, the program has been carried out effectively. Following a program review in February 1983, the Commission recommended that the Southeast Fisheries Center be commended for its continuing efforts to develop an effective research and monitoring program. The Commission also recommended: (a) that available survey data be assessed for evidence of seasonality; (b) where such seasonality is found, that quotas for live captures and removals be based upon the minimum, rather than the average, counts or estimates; and (c) that planned aerial and vessel surveys be modified or expanded to better monitor bottlenose dolphin abundance in areas where live captures and removals are being permitted as well as to provide better information on regional distribution, abundance, and productivity.

The Service responded positively to these recommendations. It also adopted the Commission's 15 May 1984 recommendation that permits be revised to reflect all forms of taking, not just permanent removal of individual animals. The latter recommendation reflected the Commission's concern that more animals are chased and encircled than are actually removed and that disturbance from repeated chase and capture could be having effects beyond those of actual removals.

The Service has not been able to conduct or support the complete range of research and monitoring programs necessary to assess and monitor the status of all potentially affected dolphin populations in waters off the southeastern United States. Nor has the Service been able to determine whether the existing management program is unnecessarily restrictive or not restrictive enough. To help expedite development of the needed information base, the Commission transferred funds to the Southeast Fisheries Center in 1984 to help pay for monthly boat surveys of the Mississippi Sound to determine whether the authorized removal of 25 animals from the Sound had any effect on the ratio of marked to unmarked dolphins, and thus any effect on local population size. The Commission also organized and convened a workshop on 30 October 1984 to determine whether recently developed techniques for detecting variation in mitochondrial DNA might be useful for determining the relative discreteness of local concentrations of bottlenose dolphins and other marine mammals.

Workshop participants concluded that analysis of variation in mitochondrial DNA very well could provide a useful means for identifying discrete marine mammal populations, particularly if useful information could be derived from small samples of blood or other tissues from living animals. Following the workshop, the Commission contracted with investigators from the University of Michigan and Scripps Institution of Oceanography to conduct preliminary feasibility studies (see Chapter III in the Commission's Annual Report covering Calendar Year 1984 and Chapter II in this Report). The results of these preliminary studies, completed in 1985, indicate that useful information can be obtained from small blood samples and other tissues from living animals. Although the sample sizes were very small, the preliminary study results also indicated that there are significant differences in the mitochondrial DNA from bottlenose dolphins collected in different parts of the Gulf of Mexico and off the east coast of Florida. The Commission therefore expects to support additional work in 1986 to further evaluate the potential utility of this analytical technique.

Although the Commission is generally aware of the bottlenose dolphin research and monitoring programs that have been carried out by the Southeast Fisheries Center since the program review in 1983, it lacks complete information on the precise nature and results of the studies that have been completed, what research and monitoring programs are ongoing, and what further research or monitoring programs are being contemplated for the next three to five years. Therefore, by letter of 12 December 1985 to the Service, the Commission requested that it be advised of: (1) the studies that have been carried out since 1983; (2) the results of those studies; (3) the nature, extent, and anticipated utility of ongoing studies; (4) the nature, extent, and anticipated utility of studies and/or monitoring programs being planned or contemplated for the next three to five years; (5) the nature of any problems that have been encountered in carrying out the work to date; and (6) how study results have been and will be used to evaluate and further refine the strategy for managing bottlenose dolphin populations so as to avoid or minimize the adverse effects of chase, capture, and removal for purposes of public display and scientific research.

At the end of 1985, the Commission looked forward to a response to its letter and to continuing cooperative efforts with the Service and others to ensure the protection of bottlenose dolphins and their habitats in waters under U.S. jurisdiction.

Guadalupe Fur Seal (Arctocephalus townsendi)

The Guadalupe fur seal is named for its primary pupping and breeding site on Isla de Guadalupe, 140 miles west of Baja California, Mexico. The species' historical distribution and abundance are unknown because commercial sealers and other observers failed to distinguish between it and the northern fur seal in their records. Once thought to be extinct, the Guadalupe fur seal population was estimated in 1984 to number about 1,500 to 2,000 animals, with an annual production of approximately 200 pups. Although the primary breeding colony is on Isla de Guadalupe, recent sightings of adult and juvenile seals on some of the Channel Islands off southern California suggest the possibility that recolonization of that area may occur in the future.

As noted in the Commission's previous Annual Report, in 1983, the National Marine Fisheries Service received a petition to list the species as endangered under the Endangered Species Act. On 6 February 1984, the Service requested additional information and data for use in evaluating the status of the Guadalupe fur seal. In response to that request, the Commission, in consultation with its Committee of Scientific Advisors, wrote to the Service on 9 April 1984 recommending that the species be designated as threatened under the Endangered Species Act. The recommendation was based on the Commission's conclusion that, while the population could become endangered within the foreseeable future, it currently does not appear to be in danger of extinction. The Commission further recommended that, if new information becomes available indicating that possible threats to the species' breeding grounds are increasing and/or the trend in population growth is halted or reversed, the status of the populations should be promptly reassessed to determine whether it should be reclassified as endangered.

On 3 January 1985, the National Marine Fisheries Service published in the Federal Register a proposed determination to list the Guadalupe fur seal as threatened under the Endangered Species Act. On 16 December 1985, the Service published a final rule listing the species as threatened, to become effective 15 January 1986.

During 1986, the Commission and its Committee of Scientific Advisors will continue to review the status of the population and to assist the National Marine Fisheries Service and others in further efforts to determine appropriate actions with regard to conservation and protection of this species.

CHAPTER IX

OUTER CONTINENTAL SHELF OIL AND GAS DEVELOPMENT

Activities and accidents associated with the exploration and development of non-living resources of the Outer Continental Shelf, including oil and gas deposits, have the potential for adversely affecting marine mammals and the ecosystems of which they are a part. Under the Outer Continental Shelf (OCS) Lands Act, the Department of the Interior's Minerals Management Service is responsible for predicting, detecting, and mitigating the adverse effects of OCS exploration and development. The National Marine Fisheries Service and the Fish and Wildlife Service are responsible, under the Marine Mammal Protection Act and the Endangered Species Act, for reviewing proposed actions and advising the Minerals Management Service of measures that may be needed to assure that those actions will not be to the disadvantage of marine mammals and other wildlife. The Commission reviews relevant policies and activities of these agencies and recommends actions that appear necessary to conserve marine mammals and their habitats. The Commission's activities in this regard in 1985 are discussed below.

Proposed OCS Lease Sale #92
North Aleutian Basin

Lease sale #92, tentatively scheduled for early in 1986, involves up to 990 blocks (approximately 5.6 million acres) of submerged lands in the southeastern Bering Sea off the Alaska Peninsula. The species of marine mammals likely to be found in the proposed sale area include sea otters, five species of pinnipeds, at least ten species of non-endangered cetaceans, and as many as eight species of endangered whales. The Minerals Management Service's Draft Environmental Impact Statement on the proposed action concludes that the sea otter is the marine mammal most vulnerable to effects of an oil spill in the area and that the sea otter population in the area could sustain moderate impacts if a large spill occurred. The draft Statement also concludes that impacts on pinnipeds, non-endangered cetaceans, and endangered gray, fin, right, and humpback whales are likely to be minor and that impacts on endangered bowhead, blue, sei, and sperm whales would be negligible.

The Commission, in consultation with its Committee of Scientific Advisors, reviewed the draft Statement and provided comments to the Service by letter of 13 March 1985. The Commission noted that the draft Statement provided a reasonably thorough review and analysis of available information regarding the types of impacts, particularly from oil spills, noise, and disturbance, that could affect marine mammals, and an accurate and useful review of information on the marine mammal populations found in the proposed lease area. The Commission noted that most of the conclusions on the expected impacts on marine mammal species seemed justified, but that the potential effects on northern fur seals, Steller sea lions, gray whales, and right whales seemed to be underestimated.

With respect to northern fur seals, the Commission pointed out that the draft Statement did not consider recent information on the size and ongoing decline of the Pribilof Islands fur seal population or the status of recent proposals to list the species as threatened under the Endangered Species Act. The Commission also pointed out that the draft Statement did not fully consider the likelihood or potential significance of disrupting or inhibiting gray whale feeding in the sale area or the implications of the ongoing decline in the Steller sea lion population. The Commission recommended that, if the Minerals Management Service had not already done so, it consult with the National Marine Fisheries Service to ensure that: (a) information and impact assessments concerning the northern fur seal, the Steller sea lion, and the gray whale are accurate and complete; and (b) all measures to detect and mitigate potential unforeseen effects on these species are identified and addressed. With respect to the latter point, the Commission recommended that certain potential mitigation measures identified in the draft Statement , including stipulations for an orientation program, protection of biological resources, and information to lessees on bird and marine mammal protection, endangered whales, and a Bering Sea Biological Task Force, be incorporated as part of the proposed action.

The Commission further recommended that the draft Statement be modified to: (a) provide additional discussion and analysis of possible cumulative effects on northern fur seals, gray whales, and other important living marine resources in the Bering Sea area; (b) identify the post-sale research and monitoring responsibilities of the Service's Environmental Studies Program as a potential mitigating measure and describe its role in ensuring that lease managers have the environmental information necessary for predicting, avoiding, and detecting possible adverse impacts on endangered and non-endangered marine mammals and the ecosystems of which they are a part; (c) expand the oil spill trajectory analysis to consider additional hypothetical spill points and additional oil spill targets adjacent to the

Alaska Peninsula; (d) indicate that impacts on gray whales, northern fur seals, and Steller sea lions could be moderate to major and that impacts on right whales, while unlikely due to the rare occurrence of right whales in the sale area, could be major if any right whales are affected; and (e) indicate what was done to take account of the results of consultations with the National Marine Fisheries Service pursuant to Section 7 of the Endangered Species Act.

Proposed OCS Lease Sale #100
Norton Basin

Proposed Lease Sale #100, tentatively scheduled for March 1986, involves up to 1,755 blocks (approximately 9.8 million acres) of submerged OCS lands in the Norton Basin off the west coast of Alaska. The Minerals Management Service's draft Statement on the proposed sale addresses possible effects associated with four alternative actions and provides information on 14 species of marine mammals likely to occur in the proposed sale area, including four species of endangered whales (bowhead, gray, humpback, and fin whales). The draft Statement concluded that, under the proposed and alternative actions, possible effects on gray and bowhead whales are likely to be minor and possible effects on humpback and fin whales are expected to be negligible. It further concluded that possible effects on non-endangered marine mammals are likely to be minor under all of the alternatives except alternative V, which would defer block offerings in the western part of the sale area and reduce the possibility of affecting any of the species.

The Commission, in consultation with its Committee of Scientific Advisors, reviewed the draft Statement and provided comments to the Service by letter of 14 May 1985. The Commission noted that the draft Statement provided a useful review of information on the marine mammal species likely to be affected and a reasonably thorough review and analysis of available information on the possible impacts of oil spills and acoustic disturbances on these species. The Commission also noted that the potential effects on gray and bowhead whales may have been underestimated. In this regard, the Commission pointed out that the Biological Opinion on the proposed sale, prepared by the National Marine Fisheries Service pursuant to Section 7 of the Endangered Species Act, had concluded that major oil spills or noise associated with the proposed sale could jeopardize the continued existence of bowhead and gray whales if they were to adversely affect the migration and/or reproductive activities of bowhead whales or interfere with gray whale feeding activities.

The Commission recommended that the draft Statement be modified to indicate that possible effects on bowhead and gray whales are uncertain but could be substantial rather than "minor." The Commission also recommended that the conclusion and summary statements in the draft Statement be changed to indicate that possible adverse effects from alternative V (deferral of the western tracts) would be unlikely and less significant than those that might occur under the other leasing alternatives outlined in the draft Statement . The Commission further recommended that potential mitigating measures concerning an orientation program, the protection of biological resources, the protection of bowhead whales, and certain "information to lessees" notices identified in the draft Statement , be incorporated as part of the proposed action and other leasing alternatives. Finally, the Commission recommended that, as an additional mitigating measure, the Minerals Management Service identify a program of post-sale studies and monitoring activities to ensure that lease managers have the environmental information necessary for detecting and avoiding or mitigating possible adverse impacts on endangered and non-endangered marine mammals and the ecosystems of which they are a part.

The Minerals Management Service's Regional Environmental Studies Program

As noted above, the Minerals Management Service is responsible for assessing and mitigating the possible adverse effects of offshore oil and gas exploration and development. To help meet this responsibility, the Service has established Regional Environmental Studies Programs, which are administered by its OCS offices in Metairie, Louisiana; Los Angeles, California; Anchorage, Alaska; and Vienna, Virginia. The Service also has contracted with the National Oceanic and Atmospheric Administration's Office of Oceanography and Marine Assessment to plan and administer the Alaska Outer Continental Shelf Environmental Assessment Program (OCSEAP).

To help the Service meet its responsibilities with regard to the conservation and protection of marine mammals, the Commission: reviews and provides comments on regional studies plans, environmental impact statements, and requests for proposals related to marine mammal research developed by the Service; participates in meetings of Technical Proposal Evaluation Committees convened by the Service to review research proposals; and helps plan and participates in meetings and workshops to review and coordinate relevant research programs being conducted or planned by the Minerals Management Service, the National Marine Fisheries Service, the Fish and Wildlife Service, and other Federal, State, and private agencies and organizations.

In 1985, Commission representatives participated in an 24-25 January meeting in Anchorage, Alaska, to review, plan, and coordinate bowhead whale research being conducted or supported by the Minerals Management Service, the National

Marine Fisheries Service, the Alaska Eskimo Whaling Commission, the North Slope Borough, and the Alaska Oil and Gas Association. Commission representatives also participated in meetings to review plans and preliminary results of sea otter population studies being carried out by Minerals Management Service contractors to obtain information necessary to better determine how the California sea otter population likely would be affected by oil spills in or near its range.

In 1985, the Commission staff consulted with the Marine Management Service staff concerning the development of regional environmental plans and the development of requests for proposals for additional studies needed to better determine the possible indirect and cumulative effects as well as the direct effects of offshore oil and gas activities on sea otters, gray whales, and other marine mammals. The Commission staff also provided detailed comments to the Minerals Management Service staff on a draft report describing the results of a Minerals Management Service contract study to test and evaluate the effectiveness of different detergents and procedures for cleaning and rehabilitating oiled sea otters.

Minerals Management Service representatives attended the 24-26 October meeting 1985 of the Commission and its Committee of Scientific Advisors in San Diego, California, and provided a briefing on the five-year lease schedule for the U.S. Outer Continental Shelf and on studies that have been and are being supported or planned by the Los Angeles Regional Office to assess and determine how to avoid or mitigate the possible effects of offshore oil and gas development on sea otters and other marine mammals in California waters.

CHAPTER X

MARINE MAMMALS IN CAPTIVITY

On 20 September 1979, the Department of Agriculture's Standards and Regulations for the Humane Handling, Care, Treatment, and Transportation of Marine Mammals went into effect. These Standards were promulgated by the Department of Agriculture under the Animal Welfare Act in response to the Commission's recommendations of 20 October 1974. They were the subject of lengthy and extensive correspondence, consultation, and rulemaking, all of which are discussed in the Commission's past Annual Reports.

The Standards require dealers, exhibitors, operators of auction sales, carriers, and intermediate handlers to comply with minimum standards relating to maintenance and transportation of marine mammals in captivity. The same Standards apply to research facilities as well. All persons or facilities maintaining marine mammals in captivity in the United States, be they for purposes of public display or scientific research, must obtain a license from the Department of Agriculture's Animal and Plant Health Inspection Service and must maintain those marine mammals in compliance with the Standards unless a variance has been obtained to allow a limited time for modification of existing facilities, construction of new facilities, or other actions necessary to achieve full compliance.

During succeeding years, representatives of the Animal and Plant Health Inspection Service consulted with representatives of the Commission, the National Marine Fisheries Service, the Fish and Wildlife Service, the American Association of Zoological Parks and Aquaria, and others concerning the practical effects of application of the Standards and the need for changes.

On 28 June 1984, the Animal and Plant Health Inspection Service published amendments to the Standards in the Federal Register. Significant areas covered by the final amendments included space requirements for primary enclosures for certain marine mammals, new procedures for the granting of variances, construction requirements for housing marine mammals, requirements for accompanying pinnipeds during transport, and specifications for holding areas for marine mammals maintained in transportation facilities.

In an effort to facilitate enforcement of the Standards and to provide Animal and Plant Health Inspection Service inspectors with information that is likely to assist them in performing their responsibilities, the Animal and Plant Health Inspection Service, in conjunction with the Commission, the Fish and Wildlife Service, and the National Marine Fisheries Service sponsored a three-day training seminar on 9-12 April 1985 in Orlando, Florida.

The program included presentations on the requirements of the Animal Welfare Act, the Standards for the Humane Handling, Care, Treatment, and Transportation of Marine Mammals, and the Marine Mammal Protection Act. Representatives of the Commission and its Committee of Scientific Advisors on Marine Mammals instructed participants on marine mammal biology, including species identification, behavior, general anatomy and physiology, and the basic practices of marine mammal husbandry. Representatives of the public display industry presented information on handling and training methods and techniques, water quality, and transportation methods and problems. The program also included panel discussions on what to look for during facility inspections, and on the permitting authorities and responsibilities of the Commission, the Fish and Wildlife Service, and the National Marine Fisheries Service. The program was concluded with an inspection tour of the Sea World facility in Orlando.

In August 1985, the Commission convened a Working Group to address the problems that are becoming apparent as a result of additions to captive populations of marine mammals from captive-born and beached/rehabilitated stock. Particular emphasis was placed on behavioral, biological, and legal issues associated with the release of captive-born marine mammals to the wild. The Working Group was directed to collect relevant data and information, identify and address behavioral and biological issues, analyze related legal questions, and suggest needed research, as well as desirable statutory, regulatory and administrative changes. Participants in the Working Group include members of the Commission's staff and the Committee of Scientific Advisors on Marine Mammals, and input will be requested from other government agencies and interested parties. At the end of 1985, the Working Group had completed its initial draft report.

On 4 October, representatives of the Committee of Scientific Advisors and the National Marine Fisheries Service assisted the Animal and Plant Health Inspection Service in an on-site inspection of a public display facility with a history of compliance problems under the Standards for the Humane Handling, Care, Treatment and Transportation of Marine Mammals. The inter-agency team's findings and recommendations were transmitted to the Department of Agriculture, Office of the General Counsel, for action.

Also in 1985, the Commission staff, utilizing data obtained from the National Marine Fisheries Service, began an analysis of the survival patterns for three species of captive cetaceans. The purpose of this study is to estimate the average annual survival rate for each of the three species (bottlenose dolphins, white whales, and killer whales) and to compare those findings with the literature on the survival of captive and free-ranging cetaceans. The final report based on this analysis is expected to be completed early in 1986.

On 4 December 1985, the Fish and Wildlife Service published in the Federal Register proposed regulations governing the humane and healthful transport of wild animals and birds. These regulations are intended to satisfy the requirements of the 1981 amendments of the Lacey Act, which governs the importation and shipment of wild animals and birds in interstate commerce. The 1981 amendments required, among other things, the implementation of transportation standards for all wild animals and birds. Separate regulatory requirements have been proposed for the transport of marine mammals. The Commission will comment on these regulations early in 1986.

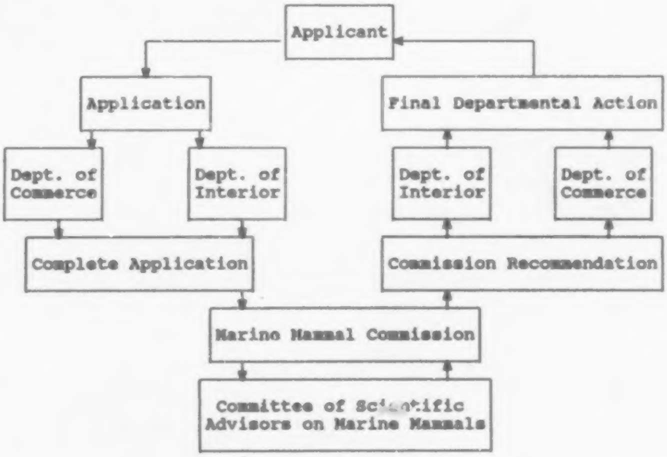
CHAPTER XI

PERMIT PROCESS

The Marine Mammal Protection Act places a moratorium, with certain exceptions, on the taking and importing of marine mammals and marine mammal products. One exception is the provision for the issuance of permits by either the Secretary of Commerce or the Secretary of the Interior, depending upon the species of animal involved, for the taking of marine mammals for purposes of scientific research or public display. Prior to the issuance of a permit, an application is reviewed by the Marine Mammal Commission in consultation with its Committee of Scientific Advisors on Marine Mammals.

Application Review

The permit application and review process involves three stages: (1) receipt and initial review of the application at the Department, publication of a notice of receipt of application in the Federal Register, and transmittal to the Commission; (2) review of the application by the Commission and transmittal of its recommendation to the Department; and (3) final processing by the Department, including consideration of all comments and recommendations of the Commission and the public, resulting in the approval or denial of the application. The following is a schematic representation of this process.


Applicant
Application
Final Departmental Action
Dept. of Commerce
Dept. of Interior
Dept. of Interior
Dept. of Commerce
Complete Application
Commission Recommendation
Marine Mammal Commission
Committee of Scientific Advisors on Marine Mammals

The total review time (initial receipt of application until final Departmental action) depends on many factors, including: the sufficiency of the information provided by the applicant; special actions, such as inspection of an applicant's marine mammal holding facilities, that may be warranted before a decision can be reached; and the efficiency and thoroughness of those responsible for the agency review.

During 1985, the Commission made recommendations on 43 applications submitted to the Department of Commerce (including nine applications that were received in 1984 but which did not receive final action until 1985) and nine applications submitted to the Department of the Interior. The Commission's average review time for complete applications was 29 days (median, 30.5 days). Not included in the preceding statistics are recommendations on three applications that were awaiting final action by the Department of Commerce at year's end and four applications that were under Commission review at year's end. The Commission, in consultation with its Committee of Scientific Advisors, also made recommendations on 20 requests to modify permits and other related permit actions during 1985. The average time required for Commission review of these matters was 32 days.

For the 43 applications processed by the Department of Commerce during 1985, it took an average of 109 days (median, 85 days) from the date the application was received by the Department until final action was taken. The nine permit applications submitted to the Department of the Interior were processed in an average of 116 days (median, 109 days). If calculated from the date of receipt of a complete application by the Departments, the average processing times for the Departments of Commerce and the Interior were 89 and 99 days, respectively, compared to 69 and 61 days, respectively, in 1984.

Working Group on Permit System

In July 1985, the Commission established a Working Group composed of members of the Commission staff and the Committee of Scientific Advisors on Marine Mammals for purposes of preparing a report on how the Marine Mammal Protection Act permit system could be improved. The Working Group was asked to identify problems that have arisen with regard to the review of applications and the issuance, modification, and enforcement of marine mammal permits, as well as to recommend such statutory, regulatory, and administrative changes as might be appropriate to address the problems.

A draft version of the Working Group's report was reviewed by the Committee of Scientific Advisors and considered during the October 1985 meeting of the Commission and Committee in San Diego. Informal comments on the draft report were also received from the Animal and Plant Health Inspection Service, the National Marine Fisheries Service, and several non-governmental parties.

Based on those comments, the draft report is being revised and is expected to be made available for formal review early in 1986. The resulting comments will be considered and incorporated, as appropriate, in the final Working Group report.

Permit-related Litigation

On 1 November 1985, a permit was issued to Sea World, Inc. for the collection of killer whales in Alaska. Litigation leading to the invalidation of the permit by the U.S. District Court for the District of Alaska and subsequent legal action are discussed in detail in Chapter IV, Marine Mammals in Alaska, of this Report.

CHAPTER XII

ENDANGERED SPECIES ACT REAUTHORIZATION

In addition to the protection provided by the Marine Mammal Protection Act, certain species of marine mammals also are covered by the Endangered Species Act. In recent years, concerns have been expressed about apparently conflicting provisions of the two Acts and the need to reconcile these differences. In 1985, some of these concerns were addressed during Congressional deliberations on the reauthorization of the Endangered Species Act.

Reauthorization hearings were held on 14 March 1985 before the Subcommittee on Fisheries and Wildlife Conservation and the Environment of the House Committee on Merchant Marine and Fisheries. At the hearings, representatives of the National Marine Fisheries Service identified the need to amend the Endangered Species Act to provide exception to the more stringent provisions of the Marine Mammal Protection Act. Specifically, they proposed amending the Endangered Species Act so as to establish a procedure whereby the taking of endangered and threatened marine mammals incidental to an otherwise lawful activity can be authorized. Such authorizations would be permitted when a determination has been made that the activity is not likely to jeopardize the continued existence of the species or result in the destruction or adverse modification of its critical habitat. This authority already exists under the Endangered Species Act, but cannot be extended to endangered or threatened marine mammals because of the more restrictive provisions of the Marine Mammal Protection Act.

The House Subcommittee also addressed issues related to the southern sea otter recovery program. At the 14 March hearing, a panel of representatives of the Fish and Wildlife Service, Friends of the Sea Otter, Save Our Shellfish, and the Western Oil and Gas Association discussed the matter. They presented testimony on a number of issues, including the importance of translocating sea otters and the need to address resource management conflicts related to that action. Some panel participants questioned the Fish and Wildlife Service's legal authority to translocate and contain sea otters under the taking prohibitions of the Marine Mammal Protection Act.

Senate reauthorization hearings were held on 18 April 1985 before the Subcommittee on Environmental Pollution of the Committee on Environment and Public Works. As in the House subcommittee hearing, a sea otter panel was convened and concerns similar to those presented during the House hearing were raised.

On 29 July 1985, the House of Representatives passed H.R. 1027, a bill reauthorizing the Endangered Species Act through 1988 and amending the Act to address both marine mammal issues discussed above.

Section 2 of the House-approved bill sets forth authority to allow the taking of endangered or threatened marine mammals incidental to otherwise lawful activities for which a no-jeopardy opinion has been issued. This authorization may be granted only if a finding is made that the taking would not contravene the purposes and policies of the Marine Mammal Protection Act. In addition, reasonable and prudent measures must be established to advance those objectives and minimize the impact of such takings on marine mammals used for subsistence purposes. Section 5 of the bill sets forth an amendment on the translocation of sea otters. The provisions of that section are discussed in Chapter VIII of this Report (see the discussion of the California Sea Otter Population).

On 4 December 1985, the Senate Committee on Environment and Public Works approved S. 725, a bill calling for a three-year reauthorization of the Act with no amendments. At the end of 1985, S. 725 had not been presented to the full Senate for a vote. Final action by the Senate and resolution of differences between H.R. 1027 and S. 725 are expected early in 1986.

APPENDIX A

COMMISSION RECOMMENDATIONS: CALENDAR YEAR 1985

17 January	Commerce, collector of record application, Richard Borguss.
22 January	Interior, modification of scientific research permit, Mote Marine Laboratory.
24 January	Interior, scientific research permit application, Hubbs-Sea World Research Institute.
3 February	Interior, scientific research permit application, Florida Cooperative Fish and Wildlife Unit.
5 February	Interior, scientific research permit application, University of Michigan.
11 February	Commerce, scientific research permit application, West Coast Whale Research Foundation.
15 February	Commerce, commenting to the National Marine Fisheries Service on the "Supplemental Environmental Impact Statement, Proposed Designation of Critical Habitat for the Hawaiian Monk Seal in the Northwestern Hawaiian Islands" and recommending that the Statement be revised to include a more complete and accurate analysis of recent information on the diving behavior and habitat use patterns of monk seals at sea and that the proposed action (designating critical habitat out to the 10-fathom contour around certain islands and atolls) be changed to Alternative 1 (designating critical habitat out to 20 fathoms around certains islands and atolls) as previously recommended by the Hawaiian Monk Seal Recovery Team.

25 February	Interior, recommending to the Fish and Wildlife Service that the Service establish a policy of encouraging the use of captive-bred marine mammals for public display and, if appropriate, for scientific research purposes.
5 March	Interior, modification of scientific research permit, Fish and Wildlife Service and Southwest Fisheries Center.
5 March	Commerce, scientific research permit application, Craig O. Matkin.
13 March	Interior, commenting to the Minerals Management Service on the "Draft Environmental Impact Statement North Aleutian Basin Sale 92" and recommending that, if it had not already been done, the Service consult with the National Marine Fisheries Service to ensure that information and impact assessments concerning the northern fur seal, the Steller sea lion, and the gray whale are complete and accurate and that all measures necessary to detect and mitigate potential unforeseen effects on these species have been identified and addressed, and further recommending that the Statement be modified to: (a) provide additional discussion concerning cumulative effects on northern fur seals, gray whales, and other important regional marine species; (b) identify post-sale research and monitoring responsibilities of the Service's Environmental Studies Program as a mitigating measure for ensuring that lease managers have the types and quality of environmental information necessary for predicting, avoiding, and detecting possible adverse impacts on marine mammals and the regional ecosystem; (c) expand the oil spill trajectory analysis to better reflect oil spill risks adjacent to the Alaska Peninsula; (d) indicate that impacts on gray whales, northern fur seals, and Steller sea lions could be moderate-to-major and that impacts on right whales could be major; and (e) indicate what was done in response to consultations with the National Marine Fisheries Service pursuant to Section 7 of the Endangered Species Act.

15 March	Interior, commenting to the Fish and Wildlife Service on proposed amendments to the appendices for the Convention on International Trade in Endangered Species of Wild Fauna and Flora and recommending that the United States support proposals to transfer the narwhal from Appendix I to Appendix II, add hooded seals to Appendix II, and delete elephant seals from Appendix II.
18 March	Commerce, commenting to the National Marine Fisheries Service on proposed "Regulations Governing the Taking and Importing of Marine Mammals" and recommending that, in its final regulations, the Service: (a) restrict all taking under general permits to non-lethal and non-injurious methods; (b) specify which methods of take are authorized and impose appropriate restrictions on the manner in which they are used; (c) include detailed reporting requirements as a condition of any general permit; and (d) establish quotas for the numbers of sea lions and other species that may be taken pursuant to a general permit.
18 March	Commerce, scientific research permit application, Susan H. Shane.
18 March	Interior, modification of scientific research permit, Donald B. Siniff.
22 March	Commerce, commenting to the National Marine Fisheries Service on the draft issue paper prepared for the 1985 meeting of the North Pacific Fur Seal Commission, and recommending, among other things, that the Service examine the findings of the November 1984 Workshop on the Fate and Impact of Marine Debris and that the proposed U.S. position on the entanglement issue be expanded to indicate specific research and management proposals that the United States will put forward for consideration and action by parties to the Convention.

25 March	Commerce, commenting to the National Ocean Service on the draft report on the Workshop on National Marine Pollution Research and Monitoring Issues and recommending that, in light of recent information on the subject, the Service reassess the low ranking assigned to the issue of entanglement of marine organisms in debris and that the importance of this issue be clearly reflected in the next edition of the Service's five-year Federal Plan for Ocean Pollution Research, Development, and Monitoring.
1 April	Commerce, collector of record application, Richard Borguss.
1 April	Commerce, public display permit application, San Antonio Zoological Gardens.
2 April	Commerce, scientific research permit application, Center for Coastal Marine Studies.
3 April	Commerce, forwarding a recommended program outline for Fiscal Year 1985 net entanglement research and management activities.
3 April	Commerce, scientific research permit application, Oregon Department of Fish and Wildlife.
3 April	Commerce, scientific research permit application, Alaska Maritime National Wildlife Refuge.
4 April	Commerce, modification of scientific research permit, Northwest and Alaska Fisheries Center.
4 April	Commerce, public display permit application, Triple Five Corporation.
5 April	Commerce, further commenting to the National Marine Fisheries Service on position papers for the next meeting of the North Pacific Fur Seal Commission and recommending, among other things, that the U.S. delegation propose that parties exchange information on domestic laws pertaining to the discard of marine debris and that a workshop be held prior to the next meeting to review past and

	needed actions to identify and mitigate the cause of the fur seal population decline.
12 April	Commerce, commenting to the National Marine Fisheries Service on the "Combined Draft Fishery Management Plan, Environmental Assessment and Regulatory Impact Review for the Bottomfish and Seamount Groundfish Fisheries of the Western Pacific Region" and recommending that, if the Service had not already done so, it enter into immediate consultation with the Hawaiian Monk Seal Recovery Team to determine whether the proposed action could adversely affect Hawaiian monk seals, and further recommending that, if such effects are possible and if the Service and the Western Pacific Fishery Management Council had not already done so, they initiate Section 7 consultations under the Endangered Species Act.
15 April	Interior, scientific research permit application, Detroit Zoological Park.
18 April	Commerce, transmitting to the National Marine Fisheries Service a recommended plan of expenditures for Fiscal Year 1985 to address problems associated with entanglement of marine mammals and other marine species in lost and discarded fishing gear and other marine debris.
19 April	Commerce, public display permit application, Dolphin Research Center.
19 April	Commerce, forwarding copies of completed scopes of work for recommended net entanglement program.
19 April	Commerce, public display permit application, Glen Oak Zoo.
22 April	Commerce, public display permit application, Baltimore Aquarium.
24 April	Commerce, commenting to the National Marine Fisheries Service on its decision not to list the North Pacific fur seal as "threatened" under the Endangered Species Act and requesting that it provide the Commission certain previously requested information on measures the Service

	considers necessary to halt the ongoing decline of the North Pacific fur seal population and the studies the Service plans to undertake in the next three years to assess and resolve the problem.
30 April	Commerce, public display permit application, Singapore Zoological Gardens.
30 April	Commerce, scientific research permit application, Lewis Rigley.
30 April	Commerce, modification of scientific research permit, Richard H. Lambertson.
30 April	Commerce, modification of scientific research permit, Randall S. Wells.
30 April	Commerce, scientific research permit application, Jo Guerrero.
7 May	Commerce, further commenting to the National Marine Fisheries Service on the "Combined Draft Fishery Management Plan, Environmental Impact Assessment and Regulatory Impact Review for the Bottomfish and Seamount Groundfish Fisheries of the Western Pacific Region" and recommending, among other things, that the Hawaiian Monk Seal Recovery Team be consulted as part of formal Section 7 consultations under the Endangered Species Act and that the results of these consultations and the Biological Opinion be appended to the Fishery Management Plan/Environmental Assessment. Further recommending that the FMP/EA be expanded to: (a) provide additional information concerning the at-sea movements and habitat-use patterns of Hawaiian monk seals and compare that information with information concerning the distribution of bottomfish fishing off the Northwest Hawaiian Islands; (b) provide a more complete analysis of possible impacts from monk seal-bottomfish fishery interactions; (c) identify research and monitoring measures that would be undertaken to ensure that possible adverse effects on monk seals and other endangered species are avoided or detected and mitigated; and (d) identify steps that would be taken to ensure that all bottomfish fishermen in the Northwestern

	Hawaiian Islands are aware of potential interactions and relevant regulations necessary to protect Hawaiian monk seals and other endangered and non-endangered species.
8 May	Interior, public display permit application, Seattle Aquarium.
8 May	Commerce, commenting to the National Marine Fisheries Service on its proposal to reduce funding for the entanglement program, noting that research envisioned under the entanglement program is essential for determining mitigating measures necessary to halt the continuing population declines of northern fur seals and Steller sea lions, and recommending that: the Service assign highest priority to these research activities; if possible, the Service restore the entanglement program to its full funding level; and if full funding cannot be restored, the Service reprogram funds from its St. George Island activities and/or the Dall's porpoise research program.
9 May	Commerce, public display permit application, Montreal Zoological Park.
10 May	Commerce, scientific research permit application, Howard E. Winn.
10 May	Commerce, public display permit application, Sea World, Inc.
14 May	Interior, commenting to the Minerals Management Service on the "Norton Basin Sale 100 Draft Environmental Impact Statement," noting that the Statement provides a reasonably thorough review and analysis of available information regarding the effects of oil spills and acoustic disturbances on marine mammals, and recommending that: (a) certain identified potential mitigating measures aimed at protecting biological resources, including bowhead whales, be incorporated as part of the proposed action and other leasing alternatives; and (b) a new mitigating measure be added that identifies a program of post-sale studies and monitoring activities to ensure that lease managers have the types and quality

of environmental information necessary for detecting and avoiding or mitigating possible adverse impacts on endangered and non-endangered marine mammals and the ecosystems of which they are a part.

15 May	Commerce, scientific research permit application, John D. Hall.
24 May	Commerce, public display permit application, Mystic Marinelife Aquarium.
24 May	Commerce, public display permit application response to Service's 26 April letter, recommending that the Service seek the advice of the Animal and Plant Health Inspection Service on the type of alternative support to be required if the attending veterinarian is geographically far distant.
24 May	Commerce, scientific research permit application, Dolphin Research Center.
28 May	Commerce, scientific research permit application, Michael Hunt.
31 May	Interior, modification of scientific research permit application, Carle Foundation Hospital.
6 June	Commerce, modification of scientific research permit, Southwest Fisheries Center.
6 June	Interior, public display permit application, Oregon University Visual Arts Resources Center.
6 June	Commerce, scientific research permit application, Brent S. Stewart.
10 June	Commerce, public display permit application, Baltimore Aquarium.
10 June	Commerce, scientific research permit application, BBN Laboratories Inc.
17 June	Commerce, scientific research permit application, Los Angeles County Museum of Natural History.
1 July	Commerce, commenting to the National Marine Fisheries Service on its proposed

	"Regulations Governing the Taking and Importing of Marine Mammals" and recommending, among other things, that the regulations and accompanying environmental impact statement be revised to better indicate the continuing significance of the objective for reducing incidental kill and serious injury of marine mammals "to insignificant levels approaching a zero mortality and serious injury rate" and explaining how the proposed changes are expected to further that goal, and further recommending that the proposed regulations and Statement be expanded to identify gaps and uncertainties in available information and to note that a more accurate assessment of the present abundance and population trends of the affected stocks is not yet available.
2 July	Commerce, scientific research permit applications, LGL Limited.
3 July	Commerce, public display permit application, Ocean Action, Inc.
17 July	Commerce, commenting to the National Marine Fisheries Service on ways to improve the draft Antarctic Marine Living Resources Program Development Plan being prepared in partial response to the Antarctic Marine Living Resources Act of 1984.
19 July	Commerce, modification of scientific research permit, Dolphin Plus Human/Diving Operation.
22 July	National Science Foundation, providing Commission comments on the draft Antarctic Marine Living Resources Program Development Plan and calling attention to the importance of strengthening and continuing the Foundation's basic marine research program in the Southern Ocean.
22 July	Commerce, commenting to the National Oceanic and Atmospheric Administration on the importance of developing and implementing a directed research program on Antarctic marine living resources.

24 July	Commerce, commenting to the National Marine Fisheries Service on emergency interim regulations governing the subsistence taking of North Pacific fur seals, noting that present circumstances justify the promulgation of emergency regulations, and providing further comments for the Service's consideration in developing proposed permanent regulations.
25 July	Commerce, scientific research permit application, Daniel H. Mann.
29 July	Interior, modification of scientific research permit, Hubbs-Sea World Research Institute.
29 July	Commerce, scientific research permit application, California Department of Fish and Game.
30 July	Interior, modification of scientific research permit, Denver Wildlife Research Center.
31 July	Commerce, scientific research permit application, Thomas F. Albert.
7 August	Commerce, commenting to the National Marine Fisheries Service on rulemaking approaches to be used in promulgating permanent regulations governing the subsistence take of North Pacific fur seals and designating the North Pacific fur seal as a depleted species under the Marine Mammal Brotection Act, and recommending, among other things, that: (a) the Service use the rulemaking procedures of the Marine Mammal Protection Act for promulgating permanent regulations; (b) the Service explore the prospects for developing a cooperative agreement with residents of the Pribilof Island to govern the taking of fur seals for subsistence purposes; and (c) action be taken immediately to designate the Pribilof Island population of North Pacific fur seals as depleted through informal rulemaking under the Marine Mammal Protection Act.
9 August	Commerce, modification of scientific research permit, West Coast Whale Research Foundation.

9 August	Commerce, scientific research permit application, Northeast Fisheries Center.
12 August	Commerce, public display permit application, Hagenbeck Tierpark.
12 August	Commerce, public display permit application, Stephen W. Mitchell.
13 August	Commerce and Interior, commenting to the National Marine Fisheries Service and the Fish and Wildlife Service on a petition to amend regulations under the Marine Mammal Protection Act to require that, among other things, the two Services review the status of marine mammal species at least once every five years to determine if an existing moratorium on a species should be waived, and recommending that the petition be denied on the grounds that the actions requested are unnecessary and, in some cases, possibly unlawful.
27 August	Commerce, collector of record application, Ron Hardy.
29 August	Interior, modification of scientific research permit, Donald B. Siniff.
29 August	Interior, commenting to the Fish and Wildlife Service on the report of its recent meeting with Federal and State agency representatives to review information on habitat protection needs for the Crystal River subpopulation of the West Indian manatee, commending the Service for its progress in this area, and recommending that the Service take such steps as are necessary to carry out the actions identified in the meeting report, including the need to: (a) expand the boundary of the Chassahowitzka National Wildlife Refuge; and (b) acquire a site on King's Bay for use as an interpretative center/headquarters for public information, administration, and enforcement of the existing Crystal River National Wildlife Refuge.
29 August	National Science Foundation, commenting on the "Draft Environmental Impact Statement for the Ocean Drilling Program" and recommending that, if the subject was not

	previously considered during Section 7 consultation under the Endangered Species Act, the Foundation reinitiate consultation with the Fish and Wildlife Service and the National Marine Fisheries Service to: (a) revise the description for selecting specific drilling sites so as to ensure that drilling activities avoid times and locations critical to endangered and non-endangered marine mammals and (b) to determine the applicability of Section 101(a)(5) of the Marine Mammal Protection Act governing the incidental, unintentional take of marine mammals to the proposed Ocean Drilling Program.
30 August	Commerce, commenting to the National Marine Fisheries Service on the environmental assessment and proposed regulations concerning the take of non-depleted marine mammals by the Department of the Air Force during operations of the space shuttle from Vandenberg AFB, California; seeking confirmation of its understanding that shuttle activities would be prohibited over the Channel Islands during certain periods of the year unless the Service had determined that such activities would have a negligible impact on marine mammal populations, and recommending that, if this understanding was incorrect, further consideration of the proposed action be suspended pending further consultations. Further recommending, among other things, that the Service not authorize the proposed taking until it has received and, in consultation with the Commission, reviewed and determined that the proposed monitoring plan is adequate to detect and measure the possible effects on pinnipeds on San Miguel Island.
30 August	Interior, commenting to the Fish and Wildlife Service on the San Nicolas Island baseline studies and the time table for the sea otter translocation project and relaying the Commission's expectation that the Service will be able to complete its decision-making in time for a trans-location in 1986 if Congress acts to reauthorize the Endangered Species Act.

3 September	Interior, public display permit application, Otaru Public Aquarium.
3 September	Commerce, public display permit application, Connyland.
9 September	Interior, public display permit application, Miyajima Public Aquarium.
20 September	Commerce, scientific research permit application, Warren M. Zapol, Robert C. Schneider, and Donald B. Siniff.
20 September	Commerce, modification of scientific research permit, Donald B. Siniff.
26 September	Commerce, scientific research permit application, Southeast Fisheries Center.
27 September	Commerce, public display permit application, Pueblo Zoological Society.
27 September	Interior, modification of scientific research permit, California Department of Fish and Game.
1 October	Commerce, modification of scientific research permit, Southwest Fisheries Center.
2 October	Florida Department of Natural Resources, commenting on the efforts of the Department and other State agencies to acquire and protect essential manatee habitat areas; commending the Department on its recent accomplishments to list certain manatee habitat areas in the Crystal River on the State's recommended land acquisition list; and urging that the State complete certain land acquisition projects which complement land acquisition efforts contemplated by the Fish and Wildlife Service in the Crystal and Homosassa River areas of northwest Florida.
9 October	Interior, scientific research permit application, David S. Bruce.
16 October	Commerce, scientific research permit application, University of California, Institute of Marine Sciences.

22 October	Interior, modification of scientific research permit, Hubbs Marine Research Institute.
30 October	Commerce, scientific research permit application, Steven D. Feldkamp.
31 October	Commerce, commenting to the National Marine Fisheries Service on the revised "Combined Draft Fisheries Management Plan for the Bottomfish and Seamount Groundfish Fisheries of the Western Pacific Region" and recommending that the draft plan be strengthened to ensure protection of the Hawaiian monk seal and other endangered and threatened species, including identification of research and monitoring programs needed to resolve uncertainties concerning possible direct and indirect effects of bottomfish fishing operations and related activities on such species.
7 November	Commerce, scientific research permit application, Jim Harvey.
7 November	Commerce, recommending revisions to the draft procedural guidelines for porpoise safety procedures.
7 November	Commerce, scientific research permit application, Hermann Gucinski.
15 November	Commerce, scientific research permit application, Duke University Marine Laboratories.
18 November	Commerce, public display permit application, Gulf World, Inc.
18 November	Commerce, scientific research permit application, James T. Staley.
25 November	Interior, commenting to the Fish and Wildlife Service on steps being taken to promote recovery of the southern sea otter population and recommending that steps be taken immediately to ensure that funding will be available for a translocation experiment to be carried out in the fall of 1986 and that the Service make continuation of the program for observing set net fisheries within the sea otter range a high priority.

29 November	Interior, modification of scientific research permit, Denver Wildlife Research Center.
29 November	Commerce, commenting to the National Marine Fisheries Service regarding the North Pacific fur seal and recommending that: (1) the Service promptly hold a research program review and continue to hold such reviews annually at least until the ongoing population decline is reversed; (2) the Service cooperatively constitute with the Commission a group of experts to write and help implement a conservation plan; (3) the Service seek the cooperation of other countries in efforts to implement the plan; (4) the Service designate the Pribilof Islands population of North Pacific fur seals as depleted under the Marine Mammal Protection Act; and (5) the Service promulgate permanent regulations governing the taking of this species for subsistence purposes.
6 December	Commerce, commenting to the National Marine Fisheries Service on the need to carry out research on the incidental take of harbor porpoise in gill and trammel nets off the coast of central California, forwarding a proposed scope of work for such research, and offering to transfer funds to the Service to initiate the work, with the understanding that the Service would provide necessary funding in subsequent years.
6 December	Commerce, commenting again on the need for a conservation plan for the North Pacific fur seal and enclosing the Commission's draft of such a plan.
10 December	State, endorsing and suggesting ways to improve the Draft Program Development Plan for Antarctic Marine Living Resources, drafted by the National Marine Fisheries Service in response to the Antarctic Marine Living Resources Conservation Act of 1984.
11 December	Commerce, scientific research permit application, Northwest and Alaska Fisheries Center.

12 December	Commerce, requesting that the National Marine Fisheries Service provide certain information on research and monitoring programs for bottlenose dolphins.
23 December	Interior, commenting to the Fish and Wildlife Service on the taking of sea otters by Alaska Natives and recommending that the Service: (a) make available to Alaska Natives a thorough discussion of legal provisions applicable to the taking of sea otters; (b) assess past, ongoing, and anticipated takings of sea otters by Alaska Natives to determine if the takings are lawful; (c) assess the status of sea otter populations affected by lawful takings; and (d) as possible, determine the impact that taking by Alaska Natives is having on those populations.
31 December	Commerce, commenting to the National Marine Fisheries Service on the report of Commission- and Service-sponsored workshops on the northwest Atlantic right whale population, noting that completion, adoption, and effective implementation of a recovery plan for the species is required under the Endangered Species Act, outlining the tasks that it considers of greatest immediate importance, and recommending that the Service: (a) adopt the recommended research and management plan included in the workshop report as a preliminary recovery plan; (b) review the recommended research and management plan to determine what tasks should be carried out or supported by the Service and what tasks should be carried out or supported by other agencies; (c) organize and convene a meeting of relevant Canadian and U.S. agency representatives, no later than March 1986, to discuss and, as possible, agree upon steps to be taken, independently or collectively, to adopt and implement the recommended research and management plan; (d) constitute a recovery team to complete and oversee implementation of the recovery plan; and (e) adopt, periodically review, and update the recovery plan. Further recommending that, if the Service had not already done so, it take such steps as are necessary to develop, adopt, and implement recovery plans for populations

of humpback whales, bowhead whales, and any other endangered cetaceans that occur primarily or substantially in waters under U.S. jurisdiction.

APPENDIX B

REPORTS OF COMMISSION-SPONSORED ACTIVITIES AVAILABLE FROM THE NATIONAL TECHNICAL INFORMATION SERVICE (NTIS)[1]

Ainley, D.G., H.R. Huber, R.P. Henderson, and T.J. Lewis. 1977. Studies of marine mammals at the Farallon Islands, California, 1970-1975. Final report for MMC contract MM4AC002. NTIS PB-274 046. 42 pp. (A03)

Ainley, D.G., H.R. Huber, R.P. Henderson, T.J. Lewis, and S.H. Morrell. 1977. Studies of marine mammals at the Farallon Islands, California, 1975-1976. Final report for MMC contract MM5AC020. NTIS PB-266 249. 32 pp. (A03)

Ainley, D.G., H.R. Huber, S.H. Morrell, and R.R. LeValley. 1978. Studies of marine mammals at the Farallon Islands, California, 1976-1977. Final report for MMC contract MM6AC027. NTIS PB-286 603. 44 pp. (A03)

Allen, S.G., D.G. Ainley, and G.W. Page. 1980. Haul out patterns of harbor seals in Bolinas Lagoon, California. Final report for MMC contract MM8AC012. NTIS PB80-176 910. 31 pp. (A03)

Balcomb, K.C., J.R. Boran, R.W. Osborne, and N.J. Haenel. 1980. Observations of killer whales (*Orcinas crca*) in greater Puget Sound, State of Washington. Final report for MMC contract MM1300731-7. NTIS PB80-224 728. 42 pp. (A03)

Bean, M.J. 1985. United States and international authorities applicable to entanglement of marine mammals and other organisms in lost or discarded fishing gear and other debris. Final report for MMC contract MM2629994-7. NTIS PB85-160471. 65 pp. (A04)

---

[1] Price codes for printed reports (including postage) are shown in parentheses at the end of each citation. Microfiche copies of the reports are also available (price code A01). The key to the codes and ordering information can be found on the last page.

Beddington, J.R., and H.A. Williams. 1980. The status and management of the harp seal in the north-west Atlantic. A review and evaluation. Final report for MMC contract MM1301062-1. NTIS PB80-206 105. 127 pp. (A07)

Bengtson, J.L. 1978. Review of information regarding the conservation of living resources of the Antarctic marine ecosystem. Final report for MMC contract MM8AD055. NTIS PB-289 496. 148 pp. (A08)

Bishop, J.B. 1985. Summary report of gill and trammel net (set-net) observations in the vicinity of Morro Bay, California, 1 November 1983 - 31 August 1984. Final report for MMC contract MM2629900-2. NTIS PB85-150076. 18 pp. (A02)

Bockstoce, J. 1978. A preliminary estimate of the reduction of the western Arctic bowhead whale (Balaena mysticetus) population by the pelagic whaling industry: 1848-1915. Final report for MMC contract MM7AD111. NTIS PB-286 797. 32 pp. (A08)

Brownell, R.L., Jr., C. Schoenwald, and R.R. Reeves. 1978. Preliminary report on world catches of marine mammals 1966-1975. Final report for MMC contract MM6AC002. NTIS PB-290 713. 353 pp. (A16)

Chapman, D.G., L.L. Eberhardt, and J.R. Gilbert. 1977. A review of marine mammal census methods. Final report for MMC contract MM4AC014. NTIS PB-265 547. 55 pp. (A04)

Clark, W.G. 1984. Analysis of variance of photographic and visual estimates of dolphin school size. Southwest Fisheries Center Admin. Report LJ-84-11C. Final report for MMC contract MM2324792-1. 36 pp.[2]

Committee to Evaluate Antarctic Marine Ecosystem Research, National Research Council. 1981. An evaluation of Antarctic marine ecosystem research. National Academy Press, Washington, D.C. 99 pp.[3]

Contos, S.M. 1982. Workshop on marine mammal-fisheries interactions. Final report for MMC contract MM2079341-0. NTIS PB82-189 507. 64 pp. (A04)

---

[2] Available from Director, National Marine Fisheries Service, Southwest Fisheries Center, La Jolla, California 92038.

[3] Available from Polar Research Board, National Academy of Sciences, 2101 Constitution Avenue, N.W., Washington, D.C. 20418.

Cornell, L.H., E.D. Asper, K.N. Osborn, and M.J. White, Jr. 1979. Investigations on cryogenic marking procedures for marine mammals. Final report for MMC contract MM6AC003. NTIS PB 291 570. 24 pp. (A03)

Dayton, P.K., B.D. Keller, and D.A. Ven Tresca. 1980. Studies of a nearshore community inhabited by sea otters. Final report for MMC contracts MM6AC026 and MM1300702-9. NTIS PB81-109 860. 91 pp. (A06)

DeBeer, J. 1980. Cooperative dedicated vessel research program on the tuna-porpoise problem; overview and final report. Final report for MMC contract MM8AC006. NTIS PB80-150 097. 43 pp. (A03)

Dohl, T.P. 1981. Remote laser branding of marine mammals. Final report for MMC contract MM4AC011. NTIS PB81-213 449. 34 pp. (A03)

Erickson, A.W. 1978. Population studies of killer whales (Orcinus orca) in the Pacific Northwest: A radio-marking and tracking study of killer whales. Final report for MMC contract MM5AC012. NTIS PB-285 615. 34 pp. (A03)

Fay, F.H., H.M. Feder, and S.W. Stoker. 1977. An estimation of the impact of the Pacific walrus population on its food resources in the Bering Sea. Final report for MMC contracts MM4AC006 and MM5AC024. NTIS PB-273 505. 38 pp. (A03)

Foster, M.A. 1981. Identification of ongoing and planned fisheries in the Northwestern Hawaiian Islands. Final report for MMC contract MM1801069-7. NTIS PB81-207 516. 90 pp. (A05)

Foster, M.S., C.R. Agegian, R.K. Cowen, R.F. Van Wagenen, D.K. Rose, and A.C. Hurley. 1979. Toward an understanding of the effects of sea otter foraging on kelp forest communities in central California. Final report for MMC contract MM7AC023. NTIS PB-293 891. 60 pp. (A04)

Fowler, C.W., W.T. Bunderson, M.B. Cherry, R.J. Ryel, and B.B. Steele. 1980. Comparative population dynamics of large mammals: A search for management criteria. Final report for MMC contract MM7AC013. NTIS PB80-178 627. 330 pp. (A15)

Fowler, C.W., R.J. Ryel, and L.J. Nelson. 1982. Sperm whale population analysis. Final report for MMC contract MM8AC009. NTIS PB82-174 335. 35 pp. (A03)

Gaines, S.E., and D. Schmidt. 1978. Laws and treaties of the United States relevant to marine mammal protection policy. Final report for MMC contract MM5AC029. NTIS PB-281 024. 668 pp. (A99)

Gard, R. 1978. Aerial census, behavior, and population dynamics study of gray whales in Mexico during the 1974-75 calving and mating season. Final report for MMC contract MM5AC006. NTIS PB-274 295. 18 pp. (A02)

Gard, R. 1978. Aerial census and population dynamics study of gray whales in Baja California during the 1976 calving and mating season. Final report for MMC contract MM6AC014. NTIS PB-275 297. 20 pp. (A03)

Geraci, J.R., and D.J. St. Aubin. 1979. Biology of marine mammals: Insights through strandings. Final report for MMC contract MM7AC020. NTIS PB-293 890. 343 pp. (A16)

Geraci, J.R., S.A. Testaverde, D.J. St. Aubin, and T.H. Loop. 1978. A mass stranding of the Atlantic whitesided dolphin, *Lagenorhynchus acutus*: A study into pathobiology and life history. Final report for MMC contract MM5AC008. NTIS PB-289 361. 141 pp. (A08)

Gerrodette, T. 1983. Review of the California sea otter salvage program. Final report for MMC contract MM2629677-5. NTIS PB83-262 949. 23 pp. (A03)

Gilbert, J.R., V.R. Schurman, and D.T. Richardson. 1979. Gray seals in New England; present status and management alternatives. Final report for MMC contract MM7AC002. NTIS PB-295 599. 40 pp. (A03)

Glockner-Ferrari, D.A., and M.J. Ferrari. 1985. Individual identification, behavior, reproduction, and distribution of humpback whales, *Megaptera novaeangliae*, in Hawaii. Final report for MMC contract MM262975-5. NTIS PB85-200772. 41 pp. (A03)

Gold, J. 1981. Marine mammals: A selected bibliography. Final report for MMC contract MM1801254-3. NTIS PB 82-104 282. 91 pp. (A05)

Gonsalves, J.T. 1977. Improved method and device to prevent porpoise mortality: Application of polyvinyl panels to purse seine nets. Final report for MMC contract MM6AC007. NTIS PB-274 088. 28 pp. (A03)

Goodman, D. 1978. Management implications of the mathematical demography of long lived animals. Final report for MMC contract MM8AD008. NTIS PB-289 678. 80 pp. (A05)

Green, K.A. 1977. Antarctic marine ecosystem modeling revised Ross Sea model, general Southern Ocean budget, and seal model. Final report for MMC contract MM6AC032. NTIS PB-270 375. 111 pp. (A06)

Green-Hammond, K.A. 1980. Fisheries management under the Fishery Conservation and Management Act, the Marine Mammal Protection Act, and the Endangered Species Act. Final report for MMC contract MM1300885-3. NTIS PB80-180 599. 186 pp. (A09)

Green-Hammond, K.A. 1981. Requirements for effective implementation of the Convention on the Conservation of Antarctic Marine Living Resources. Final report for MMC contract MM2079173-9. NTIS PB82-123 571. 36 pp. (A03)

Green-Hammond, K.A. 1982. Environmental aspects of potential petroleum exploration and exploitation in Antarctica: Forecasting and evaluating risks. Final report for MMC contract MM2079173-9. NTIS PB82-169 772. 28 pp. (A03)

Green-Hammond, K.A., D.G. Ainley, D.B. Siniff, and N.S. Urquhart. 1983. Selection criteria and monitoring requirements for indirect indicators of changes in the availability of Antarctic krill applied to some pinniped and seabird information. Final report for MMC contract MM2324753-6. NTIS PB83-263 293. 37 pp. (A03)

Herman, L.M., P.H. Forestell, and R.C. Antinoja. 1980. The 1976/77 migration of humpback whales into Hawaiian waters: Composite description. Final report for MMC contracts MM7AC014 and MM1300907-2. NTIS PB80-162 332. 55 pp. (A04)

Hofman, R.J. (Editor). 1979. A workshop to identify new research that might contribute to the solution of a tuna-porpoise problem. Proceedings of a Marine Mammal Commission-sponsored workshop held on 8-9 December 1975 at the University of California, Santa Cruz. NTIS PB-290 158. 17 pp. (A02)

Hofman, R.J. 1982. Identification and assessment of possible alternative methods for catching yellowfin tuna. NTIS PB83-138 993. 243 pp. (A11)

Hofman, R.J. (Editor). 1985. Workshop to assess methods for regulating the distribution and movements of sea otters. Report of a Marine Mammal Commission-sponsored workshop held 25-26 October 1984 in San Francisco, California. NTIS PB85-229250. 39 pp. (A03)

Huber, H.R., D.G. Ainley, S.H. Morrell, R.R. LeValley, and C.S. Strong. 1979. Studies of marine mammals at the Farallon Islands, California, 1977-1978. Final report for MMC contract MM7AC025. NTIS PB-111 602. 50 pp. (A04)

Huber, H.R., D.G. Ainley, S.H. Morrell, R.J. Boekelheide, and R.P. Henderson. 1980. Studies of marine mammals at the Farallon Islands, California, 1978-1979. Final report for MMC contract MM1300888-2. NTIS PB80-178 197. 46 pp. (A04)

Huber, H.R., D.G. Ainley, R.J. Boekelheide, R.P. Henderson, and B. Bainbridge. 1981. Studies of marine mammals at the Farallon Islands, California, 1979-1980. Final report for MMC contract MM1533599-3. NTIS PB81-167 082. 51 pp. (A04)

Hui, C.A. 1978. Reliability of using dentin layers for age determination in *Tursiops truncatus*. Final report for MMC contract MM7AC021. NTIS PB-288 444. 25 pp. (A03)

Irvine, A.B., M.D. Scott, R.S. Wells, J.H. Kaufmann, and W.E. Evans. 1979. A study of the activities and movements of the Atlantic bottlenosed dolphin, *Tursiops truncatus*, including an evaluation of tagging techniques. Final report for MMC contracts MM4AC004 and MM5AC018. NTIS PB-298 042. 54 pp. (A04)

Johnson, B.W., and P.A. Johnson. 1978. The Hawaiian monk seal on Laysan Island: 1977. Final report for MMC contract MM7AC009. NTIS PB-285 428. 38 pp. (A03)

Johnson, B.W., and P.A. Johnson. 1981. Estimating the Hawaiian monk seal population on Laysan Island. Final report for MMC contract MM1533701-4. NTIS PB82-106 113. 29 pp. (A05)

Johnson, B.W., and P.A. Johnson. 1981. The Hawaiian monk seal on Laysan Island: 1978. Final report for MMC contract MM8AC008. NTIS PB82-109 661. 17 pp. (A02)

Johnson, M.L., and S.J. Jeffries. 1977. Population evaluation of the harbor seal (*Phoca vitulina richardi*) in the waters of the State of Washington. Final report for MMC contract MM5AC019. NTIS PB-270 376. 27 pp. (A03)

Johnson, M.L., and S.J. Jeffries. 1983. Population biology of the harbor seal (*Phoca vitulina richardi*) in the waters of the State of Washington: 1976-1977. Final report for MMC contract MM6AC025. NTIS PB83-159 715. 53 pp. (A04)

Kasuya, T., and Y. Izumisawa. 1981. The fishery-dolphin conflict in the Iki Island area of Japan. Final report for MMC contract MM1533791-7. NTIS PB81-171 357. 31 pp. (A03)

Katona, S.K. 1983. The Gulf of Maine Whale Sighting Network: 1976. Final report for MMC contract MM6AC018. NTIS PB83-151 290. 32 pp. (A03)

Katona, S.K., and S. Kraus. 1979. Photographic identification of individual humpback whales (*Megaptera novaeangliae*): Evaluation and analysis of the technique. Final report for MMC contract MM7AC015. NTIS PB-298 740. 29 pp. (A03)

Kooyman, G.L. 1982. Development and testing of a time-depth recorder for marine mammals. Final report for MMC contract MM6AC019. NTIS PB82-257 932. 10 pp. (A02)

Leatherwood, J.S., R.A. Johnson, D.K. Ljungblad, and W.E. Evans. 1977. Broadband measurements of underwater acoustic target strengths of panels of tuna nets. Final report for MMC contract MM6AC020. Naval Ocean Systems Center Tech. Report 126. 19 pp.[4]

Loughlin, T. 1978. A telemetric and tagging study of sea otter activities near Monterey, California. Final report for MMC contract MM6AC024. NTIS PB-289 682. 64 pp. (A04)

Marine Mammal Commission. 1974. Annual Report of the Marine Mammal Commission, Calendar Year 1973. Report to Congress. NTIS PB-269 708. 14 pp. (A03)

Marine Mammal Commission. 1975. Annual Report of the Marine Mammal Commission, Calendar Year 1974. Report to Congress. NTIS PB-269 710. 27 pp. (A04)

Marine Mammal Commission. 1976. Annual Report of the Marine Mammal Commission, Calendar Year 1975. Report to Congress. NTIS PB 269-711. 50 pp. (A04)

Marine Mammal Commission. 1977. Annual Report of the Marine Mammal Commission, Calendar Year 1976. Report to Congress. NTIS PB-269 713. 71 pp. (A06)

Marine Mammal Commission. 1978. Annual Report of the Marine Mammal Commission, Calendar Year 1977. Report to Congress. NTIS PB-281 564. 101 pp. (A06)

Marine Mammal Commission. 1979. Annual Report of the Marine Mammal Commission, Calendar Year 1978. Report to Congress. NTIS PB-106 784. 108 pp. (A06)

Marine Mammal Commission. 1980. Humpback whales in Glacier Bay National Monument, Alaska. Final report for an interagency review meeting. NTIS PB80-141 449 44 pp. (A03)

Marine Mammal Commission. 1981. Annual Report of the Marine Mammal Commission, Calendar Year 1979. Report to Congress. NTIS PB81-247 892. 100 pp. (A06)

Marine Mammal Commission. 1981. Annual Report of the Marine Mammal Commission, Calendar Year 1980. Report to Congress. NTIS PB81-247 884. 114 pp. (A06)

Marine Mammal Commission. 1982. Annual Report of the Marine Mammal Commission, Calendar Year 1981. Report to Congress. NTIS PB82-221 425. 102 pp. (A06)

---

[4] Available from the Naval Ocean Systems Center, San Diego, California 92152.

Marine Mammal Commission. 1982. Report of a meeting to review on-going and planned research concerning humpback whales in Glacier Bay and surrounding waters in southeast Alaska. Final report of an interagency meeting. NTIS PB82-201 039. 20 pp. (A02)

Marine Mammal Commission. 1983. Annual Report of the Marine Mammal Commission, Calendar Year 1982. Report to Congress. NTIS PB84-132 216. 106 pp. (A06)

Marine Mammal Commission. 1984. Annual Report of the Marine Mammal Commission, Calendar Year 1983. Report to Congress. NTIS PB84-199 389. 118 pp. (A06)

Mate, B.R. 1977. Aerial censusing of pinnipeds in the eastern Pacific for assessment of population numbers, migratory distributions, rookery stability, breeding effort, and recruitment. Final report for MMC contract MM5AC001. NTIS PB-265 859. 67 pp. (A04)

Mate, B.R. 1980. Workshop on marine mammal-fisheries interactions in the northeastern Pacific. Final report for MMC contract MM8AC003. NTIS PB80-175 144. 48 pp. (A04)

Mathiesen, O.A. 1980. Methods for the estimation of krill abundance in the Antarctic. Final report for MMC contract MM7AC032. NTIS PB80-175 151. 26 pp. (A03)

Matkin, C.O., and F.H. Fay. 1980. Marine mammal-fishery interactions on the Copper River and in Prince William Sound, Alaska, 1978. Final report for MMC contract MM8AC013. NTIS PB80-159 536. 71 pp. (A05)

Mayo, C.A. 1982. Observations of cetaceans: Cape Cod Bay and southern Stellwagen Bank, Massachusetts 1975-1979. Final report for MMC contract MM1800925-5. NTIS PB82-186 263. 68 pp. (A05)

Medway, W. 1983. Evaluation of the safety and usefulness of techniques and equipment used to obtain biopsies from free-swimming cetaceans. Final report for MMC contract MM2324809-8. NTIS PB83-263 269. 14 pp. (A02)

Metleff, B.R., and D.H. Rosenberg. (Editors). 1984. Proceedings of the Workshop on Biological Interactions Among Marine Mammals and Commercial Fisheries in the Southeastern Bering Sea, October 18-21, 1983, Anchorage, Alaska. Final report for MMC contract MM2324802-7. 300 pp.[5]

---

[5] Available from the Alaska Sea Grant College Program, University of Alaska, Fairbanks, Alaska 99701.

Miller, L.K. 1978. Energetics of the northern fur seal in relation to climate and food resources of the Bering Sea. Final report for MMC contract MM5AC025. NTIS PB-275 296. 27 pp. (A03)

Nolan, R.S. 1981. Shark control and the Hawaiian monk seal. Final report for MMC contract MM1801065-5. NTIS PB81-201 808. 45 pp. (A03)

Norris, K.S., and J.D. Hall. 1979. Development of techniques for estimating trophic impact of marine mammals. Final report for MMC contract MM4AC013. NTIS PB-290 399. 16 pp. (A02)

Norris, K.S., and R.R. Reeves. (Editors). 1978. Report on a workshop on problems related to humpback whales (*Megaptera novaeangliae*) in Hawaii. Final report for MMC contract MM7AC018. NTIS PB-280 794. 90 pp. (A05)

Norris, K.S., W.E. Stuntz, and W. Rogers. 1978. The behavior of porpoises in the eastern tropical Pacific yellowfin tuna fishery: preliminary studies. Final report for MMC contract MM6AC022. NTIS PB-283 970. 86 pp. (A05)

Odell, D.K. 1979. A preliminary study of the ecology and population biology of the bottlenose dolphin in southeast Florida. Final report for MMC contract MM4AC003. NTIS PB-294 336. 26 pp. (A03)

Odell, D.K., and J.E. Reynolds, III. 1980. Abundance of the bottlenose dolphin, *Tursiops truncatus*, on the west coast of Florida. Final report for MMC contract MM5AC026. NTIS PB-80-197 650. 47 pp. (A04)

Odell, D.K., D.B. Siniff, and G.H. Waring. 1979. *Tursiops truncatus* assessment workshop. Final report for MMC contract MM5AC021. NTIS PB-291 161. 141 pp. (A04)

Packard, J.M. 1982. Potential methods for influencing the movements and distribution of sea otters: Assessment of research needs. Final report for MMC contract MM2079342-3. NTIS PB83-109 926. 51 pp. (A04)

Packard, J.M. 1984. Proposed research/management plan for Crystal River manatees. Vols. 1-3. Tech. Report 7. Florida Cooperative Fish and Wildlife Research Unit, University of Florida, Gainesville. 31 pp.; 235 pp.; 346 pp. Prepared for U.S. Fish and Wildlife Service. Final report for MMC contract MM1801024-4.[6]

---

[6] Available from the U.S. Fish and Wildlife Service, Department of the Interior, Washington, D.C. 20240.

Payne, R., O. Brazier, E. Dorsey, J. Perkins, V. Rowntree, and A. Titus. 1981. External features in southern right whales (Eubalaena australis) and their use in identifying individuals. Final report for MMC contract MM6AC017. NTIS PB81-161 093. 77 pp. (A05)

Pitcher, K.W. 1977. Population productivity and food habits of harbor seals in the Prince William Sound-Copper River Delta area, Alaska. Final report for MMC contract MM5AC011. NTIS PB-266 935. 36 pp. (A03)

Prescott, J.H., and P.M. Fiorelli. 1980. Review of the harbor porpoise (Phocoena phocoena) in the U.S. northwest Atlantic. Final report for MMC contract MM8AC016. NTIS PB80-176 928. 64 pp. (A04)

Prescott, J.H., S.D. Kraus, and J.R. Gilbert. 1980. East Coast/Gulf Coast cetacean and pinniped workshop. Final report for MMC contract MM1533558-2. NTIS PB80-160 104. 142 pp. (A07)

Ralston, F. (Editor). 1977. A workshop to assess research related to the porpoise/tuna problem, February 28, March 1-2. Southwest Fisheries Center Admin. Report LJ-77-15. Final report for MMC contract MM7AC022. 119 pp. 6 appendices.[7]

Ray, G.C., R.V. Salm, and J.A. Dobbin. 1979. Systems analysis mapping: An approach towards identifying critical habitats of marine mammals. Final report for MMC contract MM6AC011. NTIS PB80-111 594. 27 pp. (A03)

Reeves, R.R. 1977. Exploitation of harp and hooded seals in the western North Atlantic. Final report for MMC contract MM6AD055. NTIS PB-270 186. 57 pp. (A04)

Reeves, R.R. 1977. The problem of gray whale (Eschrichtius robustus) harassment: At the breeding lagoons and during migration. Final report for MMC contract MM6AC021. NTIS PB-272 506 (Spanish translation PB-291 763). 60 pp. (A04)

Ridgway, S.H., and K. Benirschke. (Editors). 1977. Breeding dolphins: Present status, suggestions for the future. Final report for MMC contract MM6AC009. NTIS PB-273 673. 308 pp. (A14)

Ridgway, S.H., and W.F. Flanigan, Jr. 1981. An investigation of a potential method for the humane taking of certain whales and seals used for food. Final report for MMC contract MM6AC030. NTIS PB81-161 101. 12 pp. (A02)

---

[7] Available from Director, National Marine Fisheries Service, Southwest Fisheries Center, La Jolla, California 92038.

Risebrough, R.W. 1978. Pollutants in marine mammals: A literature review and recommendations for research. Final report for MMC contract MM7AD035. NTIS PB-290 728. 64 pp. (A04)

Risebrough, R.W., D. Alcorn, S.G. Allen, V.C. Anderlini, L. Booren, R.L. DeLong, L.E. Fancher, R.E. Jones, S.M. McGinnis, and T.T. Schmidt. 1980. Population biology of harbor seals in San Francisco Bay, California. Final report for MMC contract MM6AC006. NTIS PB81-107 963. 67 pp. (A04)

Sawyer-Steffan, J.E., and V.L. Kirby. 1980. A study of serum steroid hormone levels in captive female bottlenose dolphins, their correlation with reproductive status, and their application to ovulation induction in captivity. Final report for MMC contract MM7AC016. NTIS PB80-177 199. 21 pp. (A03)

Schmidly, D.J., and S.H. Shane. 1978. A biological assessment of the cetacean fauna of the Texas coast. Final report for MMC contract MM4AC008. NTIS PB-281 763. 38 pp. (A03)

Scott, G.P., and H.E. Winn. 1980. Comparative evaluation of aerial and shipboard sampling techniques for estimating the abundance of humpback whales (*Megaptera novaeangliae*). Final report for MMC contract MM7AC029. NTIS PB81-109 852. 96 pp. (A06)

Shallenberger, E. 1981. The status of Hawaiian cetaceans. Final report for MMC contract MM7AC028. NTIS PB82-109 398. 79 pp. (A05)

Shane, S.H., and D.J. Schmidly. 1978. The population biology of the Atlantic bottlenose dolphin, *Tursiops truncatus*, in the Aransas Pass area of Texas. Final report for MMC contract MM6AC028. NTIS PB-283 393. 130 pp. (A07)

Smith, T.D., and T. Polacheck. 1979. Uncertainty in estimating historical abundance of porpoise populations. Final report for MMC contract MM7AC006. NTIS PB-296 476. 59 pp. (A04)

Stoker, S.W. 1977. Report on a subtidal commercial clam fishery proposed for the Bering Sea. Final report for MMC contract MM7AD076. NTIS PB-269 712. 33 pp. (A03)

Stuntz, W.E. 1980. Preliminary investigations of the possible relationship between passive behavior by spotted dolphins, *Stenella attenuata*, and capture stress. Final report for MMC contract MM7AC027. NTIS PB81-111 569. 13 pp. (A02)

Swartz, S.L. and W.C. Cummings. 1978. Gray whales, Eschrichtius robustus, in Laguna San Ignacio, Baja California, Mexico. Final report for MMC contract MM7AC008. NTIS PB-276 319 (Spanish translation PB-288 636). 38 pp. (A03) (A04 Spanish)

Swartz, S.L. and M.L. Jones. 1978. The evaluation of human activities on gray whales, Eschrichtius robustus, in Laguna San Ignacio, Baja California, Mexico. Final report for MMC contract MM8AC005. NTIS PB-289 737 (Spanish translation PB-299 598). 34 pp. (A03)

Swartz, S.L. and M.L. Jones. 1980. Gray whales, Eschrichtius robustus, during the 1977-1978 and 1978-1979 winter seasons in Laguna San Ignacio, Baja California Sur, Mexico. Final report for MMC contract MM1533497-8. NTIS PB80-202 989. 35 pp. (A03)

Swartz, S.L. and M.L. Jones. 1981. Demographic studies and habitat assessment of gray whales, Eschrichtius robustus, in Laguna San Ignacio, Baja California Sur, Mexico. Final report for MMC contract MM2079219-4. NTIS PB82-123 373. 56 pp. (A04)

Swartzman, G., and R. Haar. 1980. Exploring interactions between fur seal populations and fisheries in the Bering Sea. Final report for MMC contract MM1800969-5. NTIS PB81-133 688. 60 pp. (A04)

Swartzman, G. 1984. Factors bearing on the present status and future of the Eastern Bering Sea fur seal population with special emphasis on the effect of terminating the subadult male harvest on St. Paul Island. Final report for MMC contract MM2629737-6. NTIS PB84-172 329. 77 pp. (A05)

Taylor, L.R. and G. Naftel. 1978. Preliminary investigations of shark predation on the Hawaiian monk seal at Pearl and Hermes Reef and French Frigate Shoals. Final report for MMC contract MM7AC011. NTIS PB-285 626. 34 pp. (A03)

Tinney, R.T., Jr. 1983. Assessment of past, present, and future risks of oil spills in and near the present sea otter range in California. Final report for MMC contract MM2324944-0. NTIS PB83-216 069. 208 pp. (A10)

Tinney, R.T. 1984. Some factors affecting the oil spill risk to sea otters in California. Final report for MMC contract MM2910765-4. NTIS PB85-174035. 74 pp. (A04)

Waring, G.H. 1981. Survey of federally-funded marine mammal research and studies FY70-FY79. Final report for MMC contract MM1533588-3. NTIS PB81-174 336. 235 pp. (A11)

Waring, G.H. 1981. Survey of federally-funded marine mammal research and studies FY70-FY80. Final report for MMC contract MM1801196-8. NTIS PB81-242 059. 43 pp. (A03)

Waring, G.H. 1982. Survey of federally-funded marine mammal research and studies FY70-FY81. Final report for MMC contract MM2079243-6. NTIS PB82-227 570. 65 pp. (A04)

Waring, G.H. 1983. Survey of federally-funded marine mammal research and studies FY70-FY82. Final report for MMC contract MM2324754-9. NTIS PB83-262 998. 83 pp. (A05)

Waring, G.H. 1984. Survey of federally-funded marine mammal research and studies FY70-FY83. Final report for MMC contract MM2629857-9. NTIS PB84-215 086. 84 pp. (A05)

Waring, G.H. 1985. Survey of federally-funded marine mammal research and studies FY70-FY84. Final report for MMC contract MM2910918-6. NTIS PB85-225613. 106 pp. (A06)

Wartzok, D., and G.C. Ray. 1980. The hauling-out behavior of the Pacific walrus. Final report for MMC contract MM5AC028. NTIS PB80-192 578. 46 pp. (A04)

Wells, R.S., B.G. Wursig, and K.S. Norris. 1981. A survey of the marine mammals of the upper Gulf of California, Mexico, with an assessment of the status of *Phocoena sinus*. Final report for MMC contract MM1300958-0. NTIS PB81-168 791. 51 pp. (A04)

Whitehead, H., and R. Payne. 1981. New techniques for measuring whales from the air. Final report for MMC contract MM6AC017. NTIS PB81-161 143. 36 pp. (A03)

Whitehead, H., K. Chu, P. Harcourt, and A. Alling. 1982. The humpback whales off west Greenland: Summer 1981, with notes on other marine mammals and seabirds sighted. Final report MMC contract MM2079259-2. NTIS PB82-243 924. 25 pp. (A03)

Williams, T.D. 1978. Chemical immobilization, baseline hematological parameters and oil contamination in the sea otter. Final report for MMC contract MM7AD094. NTIS PB-283 969. 27 pp. (A03)

Wilson, S.C. 1978. Social organization and behavior of harbor seals, *Phoca vitulina concolor*, in Maine. Final report for MMC contract MM6AC013. NTIS PB-280 188. 103 pp. (A06)

Winn, H.E. 1984. Development of a right whale sighting network in the southeastern U.S. Final report for MMC contract MM2324805-6. NTIS PB84-240 548. 12 pp. (A01)

Winn, H.E., E.A. Scott, and R.D. Kenney. 1985. Aerial surveys for right whales in the Great South Channel. Spring 1984. Final report for MMC contract MM2910792-6. NTIS PB85-207926. 18 pp. (A02)

Woodhouse, C.D., Jr., R.K. Cowen, and L.R. Wilcoxon. 1977. A summary of knowledge of the sea otter _Enhydra lutris_, L., in California and an appraisal of the completeness of the biological understanding of the species. Final report for MMC contract MM6AC008. NTIS PB-270 374. 71 pp. (A04)

Wray, P. 1978. The West Indian manatee (_Trichechus manatus_) in Florida: A summary and analysis of biological, ecological, and administrative problems affecting preservation and restoration of the population. Final report for MMC contract MM8AD054. NTIS PB-285 410. 89 pp. (A05)

Yellin, M.B., C.R. Agegian, and J.S. Pearse. 1977. Ecological benchmarks in the Santa Cruz County kelp forests before the re-establishment of sea otters. Final report for MMC contract MM6AC029. NTIS PB-272 813. 125 pp. (A07)

NATIONAL TECHNICAL INFORMATION SERVICE
CURRENT PRICE LIST[8]

Price Code		Domestic (U.S., Canada and Mexico)	Foreign (All Other Countries)
A01	(Microfiche)	$ 5.95	$ 11.90
A02		9.95	19.90
A03		9.95	19.90
A04		11.95	23.90
A05		11.95	23.90
A06		16.95	33.90
A07		16.95	33.90
A08		16.95	33.90
A09		16.95	33.90
A10		22.95	45.90
A11		22.95	45.90
A12		22.95	45.90
A13		22.95	45.90
A14		28.95	57.90
A15		28.95	57.90
A16		28.95	57.90
A17		28.95	57.90
A18		34.95	68.90
A19		34.95	68.90
A20		34.95	68.90
A21		34.95	68.90
A22		40.95	81.90
A23		40.95	81.90
A24		40.95	81.90
A25		40.95	81.90
A99		[Write to NTIS for price quotation.]	

---

[8] Each report, regardless of length, is available in microfiche at the base prices listed for code A01. All prices include postage and are given in U.S. currency. In addition, there is a $3.00 handling charge on domestic ($4.00 on foreign) orders. When ordering, include the NTIS accession number (e.g., PB-265 547). Make checks and money orders payable to the National Technical Information Service. Address: 5285 Port Royal Road, Springfield, Virginia 22161, U.S.A.

APPENDIX C

SELECTED LITERATURE PUBLISHED ELSEWHERE RESULTING FROM COMMISSION-SPONSORED ACTIVITIES

Ainley, D.G., C.S. Strong, H.R. Huber, T.J. Lewis, and S.H. Morrell. 1980. Predation by Sharks on Pinnipeds at the Farallon Islands. Fishery Bulletin, (NOAA), 78(4):941-945. (MMC Contracts MM4AC002, MM5AC027, MM6AC007, MM7AC025, and MM1300888-2).

Alexander, L.M., and L.C. Hanson. (Editors). 1985. Antarctic Politics and Marine Resources: Critical Choices for the 1980s. Proceedings from the Eighth Annual Conference, 17-20 June 1984, Center for Ocean Management Studies, University of Rhode Island, Kingston, Rhode Island. 262 pp. (MMC Contract MM2910791-3).

Allen, S.G., D.G. Ainley, G.W. Page, and C.A. Ribic. 1984. The Effect of Disturbance on Harbor Seal Haul Out Patterns at Bolinas Lagoon, California. Fishery Bulletin, California Fish and Game, 82(3):6. (MMC Contract MM8AC012).

Baker, C.S., and L.M. Herman. 1981. Migration and Local Movements of Humpback Whales (*Megaptera novaeangliae*) through Hawaiian Waters. Canadian Journal of Zoology, 59(3):460-469. (MMC Contract MM7AC014).

Barham, E.G., J.C. Sweeney, S. Leatherwood, R.K. Beggs, and C.L. Barham. 1980. Aerial Census of the Bottlenose Dolphin, *Tursiops truncatus*, in a Region of the Texas Coast. Fishery Bulletin, (NOAA), 77(3):585-395. (MMC Contract MM8AC011).

Bengtson, J.R. 1985. Monitoring Indicators of Possible Ecological Changes in the Antarctic Marine Ecosystem. *In* Selected Papers, 1982-1984 (Part II), Commission for the Conservation of Antarctic Marine Living Resourcer, Hobart, Australia. (MMC Contract 2629914-1).

Bengtson, J.L. 1985. Review of Antarctic Marine Fauna. *In* Selected Papers, 1982-1984 (Part I), Commission for the Conservation of Antarctic Marine Living Resources, Hobart, Australia. (MMC Contract 2629914-1).

Blix, A.S., and L.K. Miller. 1979. Newborn Fur Seals (Callorhinus ursinus) - Do They Suffer from the Cold? American Journal of Physiology, 236:R322-327. (MMC Contract MM5AC025).

Bockstoce, J. 1980. A Preliminary Estimate of the Reduction of the Western Arctic Bowhead Whale Population by the Pelagic Whaling Industry: 1848-1915. Marine Fisheries Review, 42(9-10):20-27. (MMC Contract MM7AD111).

Breiwick, J.M. 1978. Reanalysis of Antarctic Sei Whale Stocks. Report to the International Whaling Commission, 28:345-368. (MMC Contract MM7AC012).

Breiwick, J.M., E.D. Mitchell, and D.G. Chapman. 1980. Estimated Initial Population Size of the Bering Sea Stock of Bowhead Whale, Balaena mysticetus: An Iterative Method. Fishery Bulletin, (NOAA), 78(4):843-853. (MMC Contract MM8AC007).

Burns, J.J., F.H. Fay, and G.A. Fedoseev. 1984. Craniological Analysis of Harbor and Spotted Seals of the North Pacific Region. Pp. 5-16. In F.H. Fay and G.A. Fedoseev (Editors). Soviet-American Cooperative Research on Marine Mammals. Vol. I-Pinnipeds. NOAA Tech. Report NMFS-12. (MMC Contract MM4AC005).

Clark, W.G. 1981. Restricted Least-squares Estimates of Age Composition from Length Composition. Canadian Journal of Fisheries and Aquatic Science, 38:297-307. (MMC Contracts MM1533439-2 and MM1801114-6).

Clark, W.G. 1982. Early Changes in the Recruitment Rates of Antarctic Minke Whales Inferred from Recent Age Distributions. Report to the International Whaling Commission, 32:889-895. (MMC Contracts MM1533439-2 and MM1801114-6).

Clark, W.G. 1982. Historical Rates of Recruitment to Southern Hemisphere Fin Whale Stocks. Report to the International Whaling Commission, 32. SC/33/Ba3:305-324. (MMC Contracts MM1533439-2 and MM1801114-6).

Clark, W.G. 1983. Apparent Inconsistencies among Countries in Measurements of Fin Whale Lengths. Report to the International Whaling Commission, 33:431-434. (MMC Contracts MM1533439-2 and MM1801114-6).

Clark, W.G. 1984. Recruitment Rates of Antarctic Fin Whales, Balaenoptera physalus, Inferred from Cohort Analysis. In W.F. Perrin, R.L. Brownell, Jr., and D.M. DeMaster (Editors). Reproduction in Whales, Dolphins, and Porpoises. Special Issue 6. International Whaling Commission. Cambridge, U.K. (MMC Contract MM1533439-2).

Coe, J.M., and W.E. Stuntz. 1980. Passive Behavior by the Spotted Dolphin, Stenella attenuata, in Tuna Purse Seine Nets. Fishery Bulletin, (NOAA), 78(2):535-537. (MMC Contract MM6AC022).

Costa, D.P. 1978. The Sea Otter: Its Interaction with Man. Oceanus, 21(2):24-30. (MMC Contract MM6AA053).

Costa, D.P. 1982. Energy, Nitrogen, and Electrolyte Flux and Sea Water Drinking in the Sea Otter, Enhydra lutris. Physiological Zoology, 55(1):35-44. (MMC Contract MM6AA053).

Cowen, R.K., C.R. Agegian, and M.S. Foster. 1982. The Maintenance of Community Structure in a Central California Giant Kelp Forest. Journal of Experimental Marine Biology and Ecology, 64:189-201. (MMC Contract MM7AC023).

Dayton, P.K. 1984. Processes Structuring Some Marine Communities: Are They General? Pp. 181-197. In D.R. Strong, et al. (Editors). Ecological Communities: Conceptual Issues and the Evidence. Princeton University Press. Princeton, N.J. (MMC Contract MM1300702-9).

Dayton, P.K., V. Currie, P. Gerrodette, B.D. Keller, R. Rosenthal, and D. Van Tresca. 1984. Patch Dynamics and Stability of Some California Kelp Communities. Ecological Monograph, 54(3):253-289. (MMC Contract MM1300702-9).

Dayton, P.K., and M.J. Tegner. 1984. The Importance of Scale in Community Ecology: A Kelp Forest Example with Terrestrial Analogs. Pp. 457-481. In P.W. Price, et al. (Editors). A New Ecology: Novel Approaches to Interactive Systems. John Wiley & Sons, Inc. New York. (MMC Contract MM1300702-9).

Eberhardt, L.L., D.G. Chapman, and J.R. Gilbert. 1979. A Review of Marine Mammal Census Methods. Wildlife Monographs, No. 63. 46 pp. (MMC Contract MM4AC014).

Everitt. R.D., and R.J. Beach. 1982. Marine Mammal-Fisheries Interactions in Oregon and Washington: An Overview. Pp. 265-277. In Transactions of the 47th North American Wildlife and Natural Resources Conference. Wildlife Management Institute. Washington, D.C. (MMC Contracts MM2079345-2 and MM2079357-5).

Fay, F.H. 1982. Ecology and Biology of the Pacific Walrus, Odobenus rosmarus divergens Illigen. U.S. Fish and Wildlife Service. North American Fauna, No. 74. 279 pp. (Partial support under MMC Contract MM1533576-0).

Fay, F.H., Y.A. Bukhtiyarov, S.W. Stoker, and L.M. Schulz. 1984. Food of the Pacific Walrus in Winter and Spring in the Bering Sea. Pp. 81-88. In F.H. Fay, and G.A. Fedoseev (Editors). Soviet-American Cooperative Research on Marine Mammals. Vol. 1-Pinnipeds. NOAA Tech. Report NMFS-12. (MMC Contracts MM4AC006 and MM5AC024).

Foster, M. 1982. The Regulation of Macroalgal Associations in Kelp Forests. Pp. 185-205. In L. Srivastava (Edttor). Synthetic and Degradative Processes in Marine Macrophytes. W. de Gruyter & Company. Berlin. (MMC Contract MM7AC023).

Fowler, C.W. 1980. A Rationale for Modifying Effort by Catch, Using the Sperm Whale of the North Pacific as an Example. Pp. 99-102. In Report to the International Whaling Commission, Special Issue 2. (MMC Contract MM8AC009).

Fowler, C.W. 1981. Comparative Population Dynamics in Large Mammals. Pp. 437-455. In C.W. Fowler and T.D. Smith (Edotors). Dynamics of Large Mammal Populations. John Wiley & Sons, Inc. New York. (MMC Contract MM1300730-4).

Fowler, C.W. 1981. Density Dependence as Related to Life History Strategy. Ecology, 62:602-610. (MMC Contract MM7AC013).

Gaines, S.E., and D. Schmidt. 1976. Wildlife Management under the Marine Mammal Protection Act of 1972. Environmental Law Reporter. pp. 50096-50114. (MMC Contract MM5AC029).

Geraci, J.R., and D.J. St. Aubin. 1980. Offshore Petroleum Resource Development and Marine Mammals: A Review and Research Recommendations. Marine Fisheries Review, 42(11):1-12. (Requested by the MMC).

Hall, J.D. 1977. A Non-Lethal Lavage Device for Sampling Stomach Contents of Small Marine Mammals. Fishery Bulletin, (NOAA), 75(3):653-656. (MMC Contract MM4AC013).

Herman, L.M. 1979. Humpback Whales in Hawaiian Waters: A Study in Historical Ecology. Pacific Science, 33(1):1-16. (MMC Contract MM7AC014).

Herman, L.M., and R.C. Antinoja. 1977. Humpback Whales in the Hawaiian Breeding Waters: Population and Pod Characteristics. Scientific Report of the Whales Research Institute, No. 29:59-85. (MMC Contract MM7AC014).

Hofman, R.J. 1985. The Convention on the Conservation of Antarctic Marine Living Resources. Pp. 113-122. In L.M. Alexander and L.C. Hanson (Editors). Antarctic Politics and Marine Resources: Critical Choices for the 1980s. University of Rhode Island, Kingston, Rhode Island.

Hofman, R.J., and W.N. Bonner. 1985. Conservation and Protection of Marine Mammals: Past, Present and Future. Marine Mammal Science, 1(2):109.

Huber, H.R., D.G. Ainley, and S.H. Morrell. 1982. Sightings of Cetaceans in the Gulf of the Farallones, California, 1971-1979. California Fish and Game, 68(3):183-189. (MMC Contract MM1300888-2).

Hui, C.A. 1980. Variability of Dentin Deposits in Tursiops truncatus. Canadian Journal of Fisheries and Aquatic Science, 37(4):712-716. (MMC Contract MM7AC021).

Irvine, A.B., M.D. Scott, R.S. Wells, and J.H. Kaufman. 1981. Movements and Activities of the Atlantic Bottlenose Dolphin, Tursiops truncatus, Near Sarasota, Florida. Fishery Bulletin, (NOAA), 79(4):671-688. (MMC Contracts MM4AC004 and MM5AC018).

Irvine, A.B., R.S. Wells, and M.D. Scott. 1982. An Evaluation of Techniques for Tagging Small Odontocete Cetaceans. Fishery Bulletin, (NOAA), 80(1):135-143. (MMC Contracts MM4AC004 and MM5AC018).

Johnson, P.A., B.W. Johnson, and L.R. Taylor. 1981. Interisland Movement of a Young Hawaiian Monk Seal between Laysan Island and Maro Reef. 'Elepaio, 41(11):113-114. (MMC Contracts MM7AC009 and MM8AC008).

Jones, M.L., and S.L. Swartz. 1984. Demography and Phenology of Whale-Watching Activities in Laguna San Ignacio, Baja California Sur, Mexico. Pp. 309-374. In M.L. Jones and S.L. Swartz (Editors). The Gray Whale, Eschrichtius robustus. Academic Press. New York. (MMC Contract MM8AC005).

Kooyman, G.L., J.O. Billups, and W.D. Farwell. 1983. Two Recently Developed Recorders for Monitoring Diving Activity of Marine Birds and Mammals. Pp. 197-214. In: A.G. MacDonald and I.G. Priede (Editors). Experimental Biology at Sea. Academic Press. New York. (MMC Contract MM6AC019).

Kooyman, G.L., and L.H. Cornell. 1981. Flow Properties of Expiration and Inspiration in a Trained Bottle-Nosed Porpoise. Physiological Zoology, 54(1):55-61. (MMC Contract MM4AC012).

Kooyman, G.L., R.L. Gentry, and D.L. Urquhart. 1976. Northern Fur Seal Diving Behavior: A New Approach to its Study. Science, 193:411-412. (MMC Contract MM6AC019).

Kooyman, G.L., K.S. Norris, and R.L. Gentry. 1975. Spout of the Gray Whale: Its Physical Characteristics. Science, 190:908-910. (MMC Contract MM4AC012).

Kooyman, G.L., and E.E. Sinnett. 1977. Mechanical Properties of the Harbor Porpoise Lung (Abstract). Proceedings International Union Physiological Science, July 18-23, Paris. (MMC Contract MM4AC012).

Kooyman, G.L., and E.E. Sinnett. 1979. Mechanical Properties of the Harbor Porpoise Lung. Respiratory Physiology, 36:287-300. (MMC Contract MM4AC012).

Krause, S.D., J.R. Gilbert, and J.H. Prescott. 1983. A Comparison of Aerial, Shipboard and Land-Based Survey Methodology for the Harbor Porpoise, Phocoena phocoena. Fishery Bulletin, (NOAA), 81:910-912, (MMC Contract MM1801023-1).

Leatherwood, S. 1975. Some Observations of Feeding Behavior of Bottlenosed Dolphins (Tursiops truncatus) in the Northern Gulf of Mexico and (Tursiops cf. T. gilli) off Southern California, Baja California, and Nayarit, Mexico. Marine Fisheries Review, 37(9):10-16. (MMC Contract MM6AC001).

Leatherwood, S., J.R. Gilbert, and D.G. Chapman. 1978. An Evaluation of Some Techniques for Aerial Censuses of Bottlenosed Dolphins. Journal of Wildlife Management, 42(2):239-250. (MMC Contract MM8AC001).

Loughlin, T.R. 1979. Radio Telemetric Determination of the 24-Hour Feeding Activities of Sea Otters, Enhydra lutris. Pp. 717-724. In C.J. Amlaner, Jr., and D.W. McDonald (Editors). A Handbook on Biotelemetry and Radio-Tracking. Pergamon Press. Oxford and New York. (MMC Contracts MM6AC004 and MM6AC024).

Loughlin, T.R. 1980. Home Range and Territoriality of Sea Otters near Monterey, California. Journal of Wildlife Management, 44(3):576-582. (MMC Contracts MM6AC004 and MM6AC024).

Lowry, L.F. 1982. Documentation and Assessment of Marine Mammal-Fishery Interactions in the Bering Sea. Pp. 300-311. In Transactions of the 47th North American Wildlife and Natural Resources Conference. Wildlife Management Institute. Washington, D.C. (MMC Contract MM1533596-4).

Mate, B.R., and J.T. Harvey. 1984. Ocean Movements of Radio-Tagged Gray Whales. In M.L. Jones and S.L. Swartz (Editors). The Gray Whale, Eschrichtius robustus. Academic Press. New York. (MMC Contract 1533416-0).

Mead, J.G. 1977. Records of Sei and Bryde's Whales from the Atlantic Coast of the United States, the Gulf of Mexico and the Caribbean. Pp. 113-116. *In* International Whaling Commission, Special Issue No. 1. Report of the Special Meeting of the Scientific Committee on Sei and Bryde's Whales, La Jolla, California. December 1974. (MMC Contract MM7AC007).

Miller, L.K. 1978. Energetics of the Northern Fur Seal in Relation to Climate and Food Resources of the Bering Sea. (Abstract). Proceedings, Second Conference on the Biology of Marine Mammals, December 1977. San Diego, California. (MMC Contract MM5AC025).

Nafziger, J.A.R. 1978. The Management of Marine Mammals After the Fishery Conservation and Management Act. Willamette Law Journal, 14:153-215. (MMC Contract MM7AC001).

Norris, K.S., R. Goodman, B. Villa-Ramirez, and L. Hobbs. 1977. Behavior of California Gray Whales (*Eschrichtius robustus*) in Southern Baja California, Mexico. Fishery Bulletin, (NOAA), 75(1):159-172. (MMC Contract MM5AC007).

Odell, D.K. 1975. Status and Aspects of the Life History of the Bottlenose Dolphin, *Tursiops truncatus*, in Florida. Journal of the Fisheries Research Board of Canada, 32(7):1055-1058. (MMC Contract MM4AC003).

Odell, D.K. 1979. Distribution and Abundance of Marine Mammals in the Waters of the Everglades National Park. Proceedings of the First Conference on Research in National Parks. USDI, NPS, Transactions Proceedings Series No. 5:673-678. (MMC Contract MM4C003).

Payne, R., O. Brazier, E.M. Dorsey, J.S. Perkins, V.J. Rowntree, and A. Titus. 1983. External Features in Southern Right Whales (*Eubalaena australis*) and Their Use in Identifying Individuals. Pp. 371-445. *In* R. Payne (Editor). Communication and Behavior of Whales. AAAS Selected Symposium 76. Westview Press, Inc. Boulder, Colorado. (MMC Contract MM6AC017).

Pearse, J.S., D.P. Costa, M.B. Yellin, and C.R. Agegian. 1977. Localized Mass Mortality of Red Sea Urchin, *Strongylocentrotus franciscanus*, near Santa Cruz, California. Fishery Bulletin, (NOAA), 75(3):645-648. (MMC Contract MM6AC029).

Perrin, W.F., and A.C. Myrick, Jr. (Editors). 1980. Age Determination of Toothed Whales and Sirenians. International Whaling Commission, Special Issue No. 3. 229 pp. (MMC Contract MM8AC004).

Perrin, W.F., R.L. Brownell, Jr., and D.P. DeMaster (Editors). 1984. Reproduction in Whales, Dolphins, and Porpoises. International Whaling Commission, Special Issue 6. 490 pp. (MMC Contract MM2079356-2).

Pierotti, R.J., D.G. Ainley, T.S. Lewis, and M.C. Coulter. 1977. Birth of a California Sea Lion on Southeast Farallon Island. California Fish and Game, 63(1):64-65. (MMC Contract MM4AC002).

Pitcher, K.W. 1980. Food of the Harbor Seal, *Phoca vitulina*, in the Gulf of Alaska. Fishery Bulletin, (NOAA), 78(2):544-549. (MMC Contract MM5AC011).

Pitcher, K.W. 1980. Stomach Contents and Feces as Indicators of Harbor Seal, *Phoca vitulina*, Foods in the Gulf of Alaska. Fishery Bulletin, (NOAA), 78(3):797-798. (MMC Contract MM5AC011).

Ray, G.C., J.A. Dobbin, and R.V. Salm. 1978. Strategies for Protecting Marine Mammal Habitats. Oceanus, 21(2):55-67. (MMC Contract MM6AC011).

Scott, G.P., and H.E. Winn. 1978. Assessment of Humpback Whale (*Megaptera novaeangliae*) Stocks Using Vertical Photographs. Proceedings PECORA IV Symposium, National Wildlife Science and Technology Series, 3:235-243. (MMC Contract MM7AC029).

Sergeant, D.E., D.J. St. Aubin, and J.R. Geraci. 1980. Life History and Northwest Atlantic Status of the Atlantic White-Sided Dolphin, *Lagenorhynchus acutus*. Cetology, 37:1-12. (MMC Contract MM5AC008).

Shallenberger, E.W. 1977. Humpback Whales in Hawaii: Population and Distribution. Oceans '77 (Conference record), Marine Technology Society, Institute of Electrical and Electronics Engineers, p. Hawaii C-1-C-7. (MMC Contract MM7AC014).

Shane, S.H. 1980. Occurrence, Movements, and Distribution of Bottlenose Dolphin, *Tursiops truncatus*, in Southern Texas. Fishery Bulletin, (NOAA), 78(3):593-601. (MMC Contract MM6AC028).

Shaughnessy, P.D., and F.H. Fay. 1977. A Review of the Taxonomy and Nomenclature of North Pacific Harbour Seals. Journal of Zoology, London, 183(3):385-419. (MMC Contract MM4AC005).

Shomura, R.S., and H.O. Yoshida. 1985. (Editors). Proceedings of the Workshop on the Fate and Impact of Marine Debris, 27-29 November 1984, Honolulu, Hawaii. NOAA-TM-NMFS-SWFC-54. 580 pp. (MMC Contract MM2629949-7).

Smith, T.D. 1976. The Adequacy of the Scientific Basis for the Management of Sperm Whales. Advisory Committee on Marine Resources Research, Scientific Consultation on Marine Mammals, 121, 31 August - 9 September 1976, Bergen, Norway. 15 pp. (MMC Contract MM6AD047).

Smith, T., and T. Polacheck. 1979. Analysis of a Simple Model for Estimating Historical Population Sizes. Fishery Bulletin, (NOAA), 76(4):771-779. (MMC Contract MM7AC006).

Swartz, S.L. 1981. Cleaning Symbiosis between Topsmelt, *Atherinops affinis*, and Gray Whales, *Eschrichtius robustus*, in Laguna San Ignacio, Baja California Sur, Mexico. Fishery Bulletin, (NOAA), 79(2):360. (MMC Contracts MM8AC005 and MM1533497-8).

Swartz, S.L., and M.L. Jones. 1983. Gray Whale (*Eschrichtius robustus*) Calf Production and Mortality in the Winter Range. International Whaling Commission Report, 33:503-508. (MMC Contracts MM7AC009, MM1533497-8 and MM2079219-4).

Swartzman, G.L., and R.T. Haar. 1983. Interactions Between Fur Seal Populations and Fisheries in the Bering Sea. Fisheries Bulletin, (NOAA), 8(1):121-132. (MMC Contract MM1800969-5).

Tillman, M.F., and G.P. Donovan (Editors). 1983. Special Issue on Historical Whaling Records. International Whaling Commission, Special Issue 5. 269 pp. (MMC Contract MM7AC017).

Tricas, T.C., L.R. Taylor, and G. Naftel. 1981. Diel Behavior of the Tiger Shark, *Galeocerdo cuvier*, at French Frigate Shoals, Hawaiian Islands. Copeia, 1981:904-908. (MMC Contract MM7AC011).

Van Wagenen, R.F., M.S. Foster, and F. Burns. 1981. Sea Otter Predation on Birds near Monterey, California. Journal of Mammalogy, 62(2):433-434. (MMC Contract MM7AC023).

Villa-R., B. 1976. Report on the Status of *Phocoena sinus*, Norris and McFarland 1958, in the Gulf of California. An. Inst. Biol. Univ. Nal. Auton. Mexico, Ser. Zoologia, 47(2):203-208. (MMC Contract MM6AD052).

Whitehead, H., K. Chu, J. Perkins, P. Bryant, and G. Nichols. 1983. Population Size, Stock Identity, and Distribution of the Humpback Whales off West Greenland -- Summer 1981. Report to the International Whaling Commission, 33:497-501. (MMC Contract MM2079259-2).

TUESDAY FEBRUARY 25, 1986.

COMMISSION ON SECURITY AND COOPERATION IN EUROPE

WITNESSES

THE HONORABLE ALFONSE D'AMATO, A UNITED STATES SENATOR FROM THE STATE OF NEW YORK, CHAIRMAN

THE HONORABLE STENY HOYER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MARYLAND, CO-CHAIRMAN

MICHAEL HATHAWAY, STAFF DIRECTOR

MARY SUE HAFNER, GENERAL COUNSEL

DEBORAH BURNS, BUDGET OFFICER

Mr. SMITH. Next we have the Commission on the Security and Cooperation in Europe. We have the Chairman, Senator D'Amato, and our colleague, Steny Hoyer. Their budget request for the Commission is $625,000. This represents an increase of $75,000 over the Fiscal Year 1986 level.

[The justifications follow:]

COMMISSION ON SECURITY AND COOPERATION IN EUROPE

FISCAL YEAR 1987 BUDGET REQUEST

In accordance with Section 3 of Public Law 99-7 (March 27, 1985), there is authorized to be appropriated and remain available until expended each fiscal year such sums as may be necessary to enable the Commission to carry out its mandate.

The Commission on Security and Cooperation in Europe was created on June 3, 1976, pursuant to Public Law 94-304, approved by the 94th Congress. Under this legislation, the Commission is "authorized and directed to monitor the actions of the 35 signatory countries, including the United States, which reflect compliance with or violation of the articles of the Final Act of the Conference on Security and Cooperation in Europe (CSCE), with particular regard to the provisions relating to human rights and cooperation in humanitarian fields. The Commission is further authorized and directed to monitor and encourage the development of programs and activities of the United States Government and private organizations with a view toward taking advantage of the provisions of the Final Act to expand East-West economic cooperation and greater interchanges of people and ideas between East and West."

The recent legislation (P.L. 99-7), which specifically provides for rotation of the Commission chairmanship effective April 15, 1985 and thereafter at the beginning of each new Congress, also created the official position of Co-chairman. In addition, an increase in the numbers of Members of Congress who serve as Commissioners was authorized. The Commission is now composed of the following: (1) Nine members of the House of Representatives appointed by the Speaker of the House, five members selected from the majority party and four members, after consultation with the minority leader of the House, from the minority party; (2) Nine Members of the Senate appointed by the President of the Senate, five members selected from the majority party, after consultation with the majority party, and four, after consultation with the minority leader of the Senate, from the minority party; and (3) three members to be appointed by the President, one each from the Departments of State, Commerce and Defense.

At the beginning of each odd-numbered Congress, the President of the Senate, on the recommendation of the majority leader, shall designate one of the Senate members as Chairman. At the beginning of each even-numbered Congress, the Speaker of the House shall designate one of the House members as Chairman. At the beginning of each odd-numbered Congress, the Speaker of the House shall designate one of the House members as Co-Chairman and, at the beginning of each even-numbered Congress, the President of the Senate, on the recommendation of the majority leader, shall designate one of the Senate members as Co-Chairman.

The Commission requests an appropriation of $625,000 for Fiscal Year 1987. It is estimated that there will be an unobligated balance of $119,000 available at the end of FY 1986 which will account for a total budget of $744,000.

A breakdown of this request by object classification follows.

ESTIMATE FOR FISCAL YEAR 1987 BUDGET

11.1	Personnel Compensation	$502,000.00
12.1	Personnel Benefits	$ 52,000.00
21.0	Travel and Transportation of Persons	$ 20,000.00
23.0	Rent, Communications and Utilities	$ 55,000.00
24.0	Printing and Reproduction	$ 40,000.00
25.0	Other Services	$ 60,000.00
26.0	Supplies and Materials	$ 15,000.00
	TOTAL:	$744,000.00

EXPLANATION OF FISCAL YEAR 1987 BUDGET REQUEST

Budget Authority FY 1985	$550,000.00
Unobligated Balance Beginning FY 1985	$222,000.00
Subtotal	$772,000.00
Total Budgetary Resources FY 1985	$772,000.00
Total Obligations Actual FY 1985	$567,000.00
Unobligated Balance (Carryover) End FY 1985	$205,000.00

* * * * *

Budget Authority FY 1986	$550,000.00
Supplemental (08/15/85)	$ 75,000.00
Unobligated Balance Beginning FY 1986	$205,000.00
Subtotal	$830,000.00
Funds Available Start FY 1986	$830,000.00
Estimated Total Obligations FY 1986	$711,000.00
Estimated Unobligated Balance End FY 1986	$119,000.00

* * * * *

Budget Authority FY 1987	$625,000.00
Estimated Unobligated Balance Start FY 1987	$119,000.00
Subtotal	$744,000.00
Estimated Funds Available Start FY 1987	$744,000.00
Estimated Total Obligations FY 1987	$744,000.00
Estimated Unobligated Balance End FY 1987	NONE

JUSTIFICATION OF ESTIMATES

PERSONNEL COMPENSATION

An estimated obligation of $502,000 is requested for personnel compensation for fifteen permanent full-time employees, as well as part-time or temporary positions such as summer interns. The authorized staff positions include a Staff Director, a General Counsel, eight staff assistants, four clerical and administrative employees and a research assistant.

11.1 Permanent Positions

Staff Director	$51,000.00
General Counsel	$41,000.00
Staff Assistant	$40,000.00
Staff Assistant	$38,000.00
Staff Assistant	$38,000.00
Staff Assistant	$34,000.00
Staff Assistant	$31,000.00
Staff Assistant	$30,000.00
Staff Assistant	$30,000.00
Staff Assistant	$20,000.00
Research Assistant	$15,000.00
Office Manager	$39,000.00
Administrative Assistant	$31,000.00
Executive Assistant	$31,000.00
Receptionist/Secretary	$21,000.00
	$490,000.00

In addition to the above obligated staff positions, the Commission acquires, on a non-reimbursable basis, senior staff employees on loan from other Government agencies. Our press and information officer comes from the United States Information Agency and, at the present time, the Commission utilizes the services of an experienced consular officer on detail from the Department of State who acts as an advisor to the staff on visa policy and emigration issues. In addition, the Commission recently acquired the services of a GPO officer to assist with the printing and binding of official hearings and reports.

11.3 Positions Other Than Permanent

Summer Interns (4 Students/3 Months)	$12,000.00
	$12,000.00

PERSONNEL BENEFITS

The requested figure of $52,000 for personnel benefits covers the Commission's employer contributions to the following programs:

Congressional Retirement	$35,000.00
Health Benefits	$8,000.00
Life Insurance	$500.00
Medicare	$4,500.00
FICA	$4,000.00
	$52,000.00

TRAVEL AND TRANSPORTATION OF PERSONS

One of the primary goals of the Commission is to promote wider public understanding of the provisions of the Helsinki Final Act, particularly with regard to human rights and human contacts. It is anticipated that an estimated $20,000 will be needed to cover domestic travel expenses during FY 1987. Commissioners and Commission staff are often invited to speak before private organizations, colleges, associations and other interested groups on such topics as human rights, military security issues, the follow-up conferences to the Madrid Review Meeting, and basically on all aspects of the Helsinki Accords.

In addition, hearing witnesses and individuals who are requested to appear before the Commission in an official capacity can be reimbursed for their travel expenses under this category. When necessary, interpreter and translation fees can also be authorized by the Chairman.

Overseas travel by Commissioners and Commission staff is covered under Section 502(b) of the Mutual Security Act of 1954. For the purposes of this Act, the Commission is deemed to be a standing committee of the Congress and is entitled to the use of funds in accordance with this section and pursuant to Public Law 94-534 dated October 17, 1976.

RENT, COMMUNICATION AND UTILITIES

This estimate of $55,000 covers costs of services within the office such as rental and maintenance costs for word processing and computer equipment; copier; telephone service; telegrams; postage; and other related expenses.

Word Processing Equipment	$39,000.00
Copier Monthly Maintenance	$6,000.00
Telephone Service	$5,000.00
Postage/Telegrams	$4,000.00
Other Services	$1,000.00
	$55,000.00

PRINTING AND REPRODUCTION

It is anticipated that $40,000 will be needed to cover the cost of printing the Commission's monthly newsletter as well as surveys, questionnaires, brochures and other publications as may be necessary. Costs for printing and binding charged to the Government Printing Office are now covered under the Congressional contingency fund for such costs. Therefore, hearings, reports, stationery and envelopes are no longer considered a line item on our budget.

CSCE Digest (Bi-weekly)	$24,000.00
Quarterly Digest	$12,000.00
Miscellaneous Outside Printing Orders	$ 4,000.00
	$40,000.00

OTHER SERVICES

An estimated $60,000 will be needed to cover the costs for contract service for administrative and personnel assistance from the General Accounting Office and other consultant fees. It also includes the cost of stenographic services for Commission hearings and meetings as well as the service of translators, if necessary, for foreign-language documents.

Contract for Administrative Services General Accounting Office	$ 5,000.00
Consultant Fees	$48,000.00
Miscellaneous: Stenographic and photographer services for hearings; translation fees	$ 7,000.00
	$60,000.00

SUPPLIES AND MATERIALS

This estimate of $15,000 covers the cost for operating supplies such as word processing and computer materials as well as subscriptions to newspapers, periodicals, magazines and other pertinent publications, books and research material.

Office Supplies	$12,000.00
Publications: Newspapers, books, periodicals, research material	$3,000.00
	$15,000.00

Mr. SMITH. Gentlemen, you may proceed.

STATEMENT OF CHAIRMAN ALFONSE D'AMATO

Senator D'AMATO. Mr. Chairman, it is a pleasure to be able to appear before you today with my distinguished colleague and co-chairman, Congressman Hoyer.

First let me ask, Mr. Chairman, if I might be able to introduce my full testimony into the record as if read in its entirety?

Mr. SMITH. We will do that.

Senator D'AMATO. This way we can save some time.

Secondly, let me tell you how pleased I am also to have with us our General Counsel, Mary Sue Hafner, who has done a great job, our Budget Officer, Deborah Burns, and our Staff Director, Michael Hathaway.

Mr. Chairman, I am pleased to be able to make a request that is a bit unusual. We ask that you provide us, hopefully, with 12 percent less budget authority than we have requested for Fiscal Year 1987, specifically, Congressman Hoyer and I are asking——

Mr. SMITH. Did you put that in there so that you could ask that it be taken out?

Senator D'AMATO. No, I did not but it is appropriate during this budget cutting effort that we be in the position to be able to do that.

Mr. SMITH. I appreciate it.

Senator D'AMATO. Our carry-over, to be very succinct, has been greater than expected so that we will be able to fund our current levels of activity without an increase in Budget Authority. By the way, our activities have been increased. The number of hearings we have had has increased significantly. The activities of the Commission have been built upon a tremendous record, by your distinguished colleague, Congressman Fascell, and his co-chairman, Senator Dole.

I believe that the Commission's work has had a significant role in expanding and building human rights. Highlighting Soviet abuses, I believe, has played a very instrumental role in achieving some terrific successes worldwide, as in the case of Anatoly Shcharansky. I think that our Commission has played a significant part in prodding not only our own government, but other Governments as well, into calling for Shcharansky's release and for reuniting divided spouses.

A lot more work has to be done. Before I conclude, Mr. Chairman, let me say, that no one could ask for a more delightful, more enthusiastic, energetic and dedicated co-chairman than I have on the Commission in Congressman Hoyer. He has been above and beyond in every single respect. In no small part he is responsible for the fact that we have accumulated sufficient carryover to make it possible not to ask for that additional $75,000 in Budget Authority. Because of the Congressman, we have four staff vacancies that could have been filled. Operating with those vacanies the staff did a terrific job. The Congressman suggested that we try to be as frugal as possible. That is why we have been able to accumulate a good portion of these dollars for carry-over.

So, I commend the Congressman. We will be filling those four staff positions because the Commission's workload has been increasing.

So, Mr. Chairman, hopefully we will be able to continue the good work of the Commission. Its stewardship of the Helsinki process will continue under the next Chairman, Congressman Hoyer, next year.

[Statement follows:]

25 FEB 86

SENATOR ALFONSE D'AMATO
STATEMENT ON
FY'87 BUDGET REQUEST FOR
THE COMMISSION ON SECURITY AND COOPERATION IN EUROPE
BEFORE
HOUSE APPROPRIATIONS SUBCOMMITTEE ON
COMMERCE, JUSTICE, STATE, THE JUDICIARY,
AND RELATED AGENCIES

MR. CHAIRMAN:

I AM PLEASED TO BE ABLE TO APPEAR BEFORE YOU TODAY TO TESTIFY ON THE FISCAL YEAR 1987 BUDGET REQUEST FOR THE COMMISSION ON SECURITY AND COOPERATION IN EUROPE. MY DISTINGUISHED CO-CHAIRMAN, CONGRESSMAN STENY HOYER OF MARYLAND, IS WITH ME TODAY AND WILL ALSO TESTIFY. ACCOMPANYING US AT THE WITNESS TABLE ARE THE COMMISSION'S STAFF DIRECTOR, MIKE HATHAWAY, THE COMMISSION'S GENERAL COUNSEL, MARY SUE HAFNER, AND THE COMMISSION'S BUDGET OFFICER, DEBORAH BURNS.

THIS AFTERNOON, I'M GOING TO MAKE A REQUEST YOU PROBABLY HAVEN'T HEARD FROM MANY OTHER WITNESSES TESTIFYING ON THEIR AGENCIES' BUDGET REQUESTS. I'M GOING TO ASK THAT YOU PROVIDE US WITH 12% LESS THAN WE HAVE REQUESTED FOR FY'87. SPECIFICALLY, I AM REDUCING OUR REQUEST FROM $625,000 TO $550,000, A CUT OF $75,000.

WE ARE ALL WORKING TO CUT THE DEFICIT. WHILE THE COMMISSION'S BUDGET IS NOT LARGE, ALL OF US HAVE A PART TO PLAY. WE CANNOT EXPECT OTHERS TO HOLD THE LINE ON SPENDING IF WE ARE NOT WILLING TO DO OUR PART. THE COMMISSION IS WILLING TO DO ITS PART, EVEN THOUGH THE SCOPE AND TEMPO OF OUR ACTIVITIES ARE INCREASING.

AS YOU KNOW, THE COMMISSION WAS ESTABLISHED IN 1976 BY PUBLIC LAW 94-304, TO MONITOR AND ENCOURAGE COMPLIANCE WITH THE TERMS OF THE FINAL ACT OF THE CONFERENCE ON SECURITY AND COOPERATION IN EUROPE, WITH PARTICULAR EMPHASIS ON ITS HUMANITARIAN PROVISIONS. OVER TIME, OUR DEEP AND ABIDING CONCERN WITH HUMAN RIGHTS HAS HAD A SPREADING INFLUENCE ON THE INTERNATIONAL COMMUNITY. THE COMMISSION'S WORK HAS PLAYED A SIGNIFICANT ROLE IN THIS GROWTH OF UNDERSTANDING AND CONCERN.

OUR WESTERN ALLIES AND THE NEUTRAL AND NON-ALIGNED NATIONS WHO ARE SIGNATORIES TO THE FINAL ACT HAVE RESPONDED MORE FAVORABLY TO OUR HUMAN RIGHTS CONCERNS THAN HAVE OUR

OPPONENTS, THE SOVIET UNION AND ITS ALLIES. WHILE SOME WOULD SAY THAT SOVIET AND OTHER WARSAW PACT NON-COMPLIANCE WITH THE HUMAN RIGHTS AND HUMANITARIAN PROVISIONS OF THE FINAL ACT DEMONSTRATES THAT THEY RECEIVED THE BETTER PART OF THE DEAL WHEN THE FINAL ACT WAS SIGNED AND THAT THE UNITED STATES SHOULD CONSIDER UNILATERAL WITHDRAWAL FROM THE FINAL ACT AND THE HELSINKI PROCESS AS A WHOLE, I BELIEVE THAT SUCH CRITICS ARE WRONG.

FIRST, THE ESTABLISHMENT OF HUMAN RIGHTS AS A LEGITIMATE ITEM ON THE INTERNATIONAL AGENDA IS A CLEAR AND VERY BENEFICIAL FUNDAMENTAL CHANGE IN THE WAY INTERNATIONAL RELATIONS ARE CONDUCTED. REMEMBER THAT THE WAY GOVERNMENTS TREATED THEIR OWN CITIZENS WAS CONSIDERED AN INTERNAL MATTER NOT PROPERLY SUBJECT TO COMMENT BY FOREIGN GOVERNMENTS. NOW, WITH THE HELSINKI FINAL ACT, WE HAVE AGREEMENT BY THE SOVIETS AND THEIR ALLIES THAT THESE MATTERS ARE OPEN TO INTERNATIONAL DISCUSSION.

SOVIET AND OTHER EAST BLOC DIPLOMATS HAVE OBJECTED THAT DISCUSSING COMPLIANCE -- OR, IN THEIR CASE, NON-COMPLIANCE -- WITH THE FINAL ACT VIOLATES PRINCIPLE SIX OF BASKET ONE OF THE FINAL ACT -- THE NON-INTERVENTION PRINCIPLE. THIS, HOWEVER, WAS A TIRED DIPLOMATIC EXCUSE WHICH FEW OTHER NATIONS TOOK SERIOUSLY. MERELY TALKING ABOUT WHAT GOES ON IN ANOTHER NATION DOES NOT CONSTITUTE INTERVENTION IN THE SENSE

IT WAS MEANT IN PRINCIPLE SIX. THERE, MILITARY AND ECONOMIC COERCION AND COVERT SUBVERSION WERE THE MAIN CONCERNS.

INDEED, THE SOVIETS TACITLY ABANDONED THEIR CLAIM THAT DISCUSSION OF THEIR MISDEEDS WAS PROHIBITED BY PRINCIPLE SIX WHEN, AT THE OTTAWA HUMAN RIGHTS EXPERTS' MEETING LAST YEAR, THEY LISTENED TO U.S. AND OTHER WESTERN DELEGATES DENOUNCE THEIR VIOLATIONS OF THEIR COMMITMENTS, THEN RAISED THEIR PRINCIPLE SIX OBJECTION, BUT CONTINUED TO PARTICIPATE IN THE MEETING AND DEBATE THE ISSUES RAISED AFTER EVERYONE ELSE DISMISSED THEIR OBJECTION AS GROUNDLESS. THIS IS A REFLECTION OF THE FORCE THE CAUSE OF HUMAN RIGHTS HAS GAINED IN WORLD PUBLIC OPINON.

THE HELSINKI PROCESS IS UNIQUE. THE SITUATION I JUST DESCRIBED INVOLVING THE SOVIET UNION COULD NOT HAVE TAKEN PLACE IN ANY OTHER CONTEXT. GIVEN THE MAKEUP OF THE UNITED NATIONS, THE SOVIETS COULD MUSTER THEIR USUAL GROUP OF ALLIES TO SUPPORT THEIR VIEW. IN THE HELSINKI PROCESS, THE SOVIETS AND THEIR ALLIES ARE ISOLATED AND OUTNUMBERED BY OUR ALLIES AND BY NEUTRAL AND NON-ALIGNED STATES WHICH LARGELY SHARE OUR VALUES ON HUMAN RIGHTS AND HUMANITARIAN ISSUES.

WHAT THIS MEANS IS THAT WE DON'T LOSE IN THE HELSINKI PROCESS. IN CONTRAST, AT THE UNITED NATIONS WE ARE OUTVOTED WITH REGULARITY. SINCE THE HELSINKI PROCESS OPERATES ON A CONSENSUS BASIS, WE CAN'T OUTVOTE THE SOVIETS AND THEIR

ALLIES. WHILE THIS GIVES THE SOVIETS AN EFFECTIVE VETO OVER WHAT DOCUMENTS ARE PRODUCED, THEY DO NOT HAVE THE ABILITY TO MUZZLE OUR DISCUSSIONS OF THEIR VIOLATIONS. THEY CAN'T CONTROL THE AGENDA, UNLESS WE LET THEM.

IN THE INTERNATIONAL ARENA, THE HELSINKI PROCESS IS IRREPLACEABLE. IT IS TRULY A "BULLY PULPIT" FROM WHICH WE CAN COMPARE THEIR PERFORMANCE WITH THEIR PROMISES. IT ALLOWS US TO PRESS THE CASES OF PEOPLE LIKE SHCHARANSKY, SAKHAROV, ORLOV, AND BEGUN. SHCHARANSKY'S FREEDOM, BY THE WAY, WAS WITHOUT A DOUBT MADE POSSIBLE IN PART BY THE COMMISSION'S ACTIVITY ON HIS BEHALF AND BY THE EXISTENCE OF THE HELSINKI PROCESS WHICH ALLOWED HIS WIFE AVITAL TO CONTINUE TO FOCUS WORLD ATTENTION UPON HIS PLIGHT.

WE ARE ENTERING A PERIOD OF POTENTIAL PROMISE AND POTENTIAL PERIL IN THE HELSINKI PROCESS. WE HAVE JUST COMPLETED TWO INTERNATIONAL MEETINGS LAST YEAR WHICH FOCUSED ENTIRELY OR SUBSTANTIALLY ON HUMAN RIGHTS OR HUMANITARIAN CONCERNS. WE ARE ABOUT TO BEGIN A THIRD SUCH MEETING IN APRIL IN BERN, SWITZERLAND. THE FIRST TWO ENDED WITHOUT CONCLUDING DOCUMENTS BECAUSE OF SOVIET INTRANSIGENCE AND ILL WILL. WE HOPE THE SOVIETS WILL DECIDE TO BUILD UPON THE RESOLUTION OF THE DIVIDED FAMILY CASES AND THE RELEASE OF ANATOLY SHCHARANSKY AT THE BERN MEETING. WE HOPE -- WITH NO REAL INDICATION FROM THE SOVIETS TO SUPPORT SUCH HOPE -- THAT

THEY WILL DECIDE TO ADDRESS AFFIRMATIVELY SOME OF OUR CONCERNS AT THE HUMAN CONTACTS EXPERTS' MEETING IN BERN.

THIS IS ESPECIALLY IMPORTANT AS WE APPROACH THE BEGINNING OF THE THIRD REVIEW MEETING IN VIENNA, AUSTRIA, ON NOVEMBER 4TH OF THIS YEAR. THE VIENNA MEETING WILL MARK THE THIRD GENERAL REVIEW OF THE FINAL ACT AND THE RESULTS OF THE HELSINKI PROCESS TO DATE. AT VIENNA, ALL OF THE CHIPS ARE ON THE TABLE.

IT IS ENTIRELY POSSIBLE THAT THE UNITED STATES COULD COME TO VIENNA WITH AN AGREEMENT ON CONFIDENCE AND SECURITY BUILDING MEASURES FROM THE STOCKHOLM CDE MEETING, BUT WITH THREE HUMAN RIGHTS MEETINGS IN A ROW WITH NO RESULT EXCEPT SOVIET STONEWALLING AND COUNTERATTACKS. THUS, CLAIMS OF OPPONENTS OF THE PROCESS THAT THE SOVIETS ARE IGNORING OUR HUMAN RIGHTS INTERESTS WHILE AGGRESSIVELY PURSUING THEIR SECURITY INTERESTS WOULD SEEM TO HAVE BEEN ENDORSED.

ACCORDINGLY, WE MUST USE THE OPPORTUNITY AT BERN TO PRESS FOR REAL, CONCRETE MOVEMENT ON THE PART OF THE SOVIETS. THEIR EASTERN EUROPEAN ALLIES HAVE RESPONDED -- SLOWLY AND MARGINALLY, TO BE SURE -- TO OUR HUMAN RIGHTS CONCERNS. BUT THEY HAVE RESPONDED. WHILE SOME OUTRAGES CONTINUE -- ROMANIAN MISTREATMENT OF ETHNIC MINORITIES AND RELIGIOUS COMMUNITIES, BULGARIAN DESTRUCTION OF THEIR TURKISH MINORITY, AND POLISH GOVERNMENT ACTIONS TO SUPPRESS SOLIDARITY -- THERE HAS BEEN PROGRESS.

THE HELSINKI PROCESS IS THE LIFE LINE WE WHO LIVE IN FREEDOM HAVE THROWN TO THOSE BEHIND THE IRON CURTAIN WHO ARE STILL STRUGGLING FOR FREEDOM. WE CANNOT ABANDON THE PROCESS. IF WE DID, THE CANDLE OF HOPE THEY HAVE BEEN FOSTERING WOULD BE BLOWN OUT BY THE WIND OF TOTALITARIAN OPPRESSION. WE PROVIDE COMFORT AND SUPPORT TO THOSE WHO, LIKE SHCHARANSKY, TAKE THEIR NATION'S HELSINKI HUMAN RIGHTS PROMISES SERIOUSLY.

THESE LONELY HEROES, WHO MUST FACE THE UNLIMITED POWER OF THE KGB AND THE OTHER INSTRUMENTS OF COMMUNIST RULE, COUNT ON US TO KEEP THEIR CAUSE BEFORE THE EYES OF THE WORLD. OUR ACTIONS LITERALLY KEEP MANY OF THESE PEOPLE ALIVE -- WITHOUT THE PUBLIC NOTICE WE FOCUS ON THEM, THEY WOULD DISAPPEAR INTO ANONYMOUS CELLS IN THE GULAG, FROM WHICH THEY WOULD GO TO NAMELESS GRAVES. THAT IS WHAT IS AT STAKE AS WE LOOK AT THE HELSINKI PROCESS AND ITS FUTURE.

THIS IS MY FIRST APPEARANCE BEFORE YOU ON BEHALF OF THE COMMISSION. I AM PROUD TO BE ABLE TO SERVE AS THE CHAIRMAN OF A BODY WITH SUCH A DISTINGUISHED RECORD AND WITH SUCH IMPORTANT RESPONSIBILITIES. I AM PARTICULARLY PLEASED TO HAVE BEEN ABLE TO SET THE COMMISSION ON A ROAD WHICH BUILDS

UPON THE ACCOMPLISHMENTS OF THE PAST CHAIRMAN, CONGRESSMAN DANTE FASCELL AND HIS CO-CHAIRMAN, SENATOR BOB DOLE.

THEY ESTABLISHED THE HELSINKI COMMISSION AS A WORLD-RENOWNED CHAMPION OF HUMAN RIGHTS. THEY SET THE STANDARDS FOR PERFORMANCE AND PROFESSIONALISM. THE COMMISSION GREW, UNDER THEIR LEADERSHIP, INTO AN INDESPENSIBLE RESOURCE THAT OUR GOVERNMENT, OUR STATE DEPARTMENT, THIS CONGRESS, AND EXPERTS AND CONCERNED CITIZENS AND ORGANIZATIONS FROM ALL OVER THIS NATION DEPEND UPON.

UNDER THE LEADERSHIP OF MY DISTINGUISHED CO-CHAIRMAN AND MYSELF, WE HAVE PRESSED AHEAD, BUILDING ON THIS LEGACY. WE HAVE INCREASED THE LEVEL OF ACTIVITY THE COMMISSION HAS UNDERTAKEN, WHILE SUSTAINING THE COMMISSION'S EXPERTISE AND ITS CONTINUITY. OUR GOAL IS TO MAKE HUMAN RIGHTS AN ISSUE WHICH CANNOT BE IGNORED. WITH YOUR HELP AND SUPPORT, WE WILL CONTINUE TO SUCCEED.

THANK YOU, MR. CHAIRMAN.

Mr. SMITH. Congressman Hoyer?

Mr. HOYER. Thank you, Mr. Chairman.

STATEMENT OF CO-CHAIRMAN STENY HOYER

I appreciate Chairman D'Amato's good comments. Unfortunately, the three who sit here know me too well.

Mr. Chairman, I am not going to take a whole lot of time. I will submit, if there is no objection, my statement for the record.

Mr. SMITH. That will be fine.

Mr. HOYER. First of all, I think it appropriate to observe that we do miss the leadership of Dante Fascell, who for the first nine years of its existence gave the Commission unity, purpose and direction. Congressman Fascell lent considerable influence to the work of the Commission and I think that he is, in large part, responsible for the significant role that the Commission plays in the formulation of human rights policy, whether working with the State Department or working on the international scene.

Since April of 1985 we have had a number of conferences, namely the Ottawa Human Rights Experts Meeting (May 7-June 17), and the Budapest Cultural Forum (October 15-November 25). The Commission participated as members of the U.S. delegation at both of these conferences. We are in the process now, having Dante Fascell leave as the sole chairman for the first nine years, of implementing the Joint Commission concept in a full sense. It was a Joint Commission before, but because the House chaired it all the time, the Commission operated in a somewhat different way.

I want to say that Senator D'Amato has been very cooperative with me and as Chairman, he has given me a full role in formulating the Commission's policies and operations as a truly Joint Commission. As the Chairman indicated, I have been reticent in filling all of our positions on the Democratic side in order to see exactly how we were going to flush this thing out as we moved down the pike.

It is now time to do that. As a result of waiting for that period of time, we can responsibly suggest to you that you continue our funding at last year's level, of $550,000 rather than the $625,000 initially requested and thought necessary. Therefore, I join in the request to amend by $75,000 our budget request.

We think, that with that level of funding, we can responsibly and effectively carry out the mandate that was given to us, specifically, monitoring implementation of the Helsinki accords. Although we know this is not happening in the Soviet Union or in certain of the eastern bloc nations, we also know that continuing public pressure is certainly very, very helpful.

In conclusion, I want to thank you, Mr. Chairman for your past support and ask for your support at last year's level.

Mr. SMITH. Have you noticed any difference in the possibility of achieving your objectives since the new General Secretary Gorbachev has come to power?

You have had meetings since then, I assume?

Senator D'AMATO. Mr. Chairman, I have to think that we are dealing with a very wily, crafty, tough person in Gorbachev, but that the Soviets are looking to forge new relationships, both commercial and military in terms of disarmament. There is an excellent chance with linkage, with real linkage in terms of the Helsinki accords, to make real progress.

I cannot help but believe that a window of opportunity exists today which did not exist 18 months ago. The Administration has been successful in taking advantage of that. The Soviets are also tantalizing us, so to speak, with reunification of some of the ten divided spouses, that is, the divided family cases.

The Shcharansky release is also a harbinger of great possibilities for the future. I think that if there is to be a breakthrough, we will have to see one, a significant one, within the next year.

[Statement follows:]

OPENING STATEMENT OF CO-CHAIRMAN STENY H. HOYER BEFORE THE HOUSE APPROPRIATIONS SUBCOMMITTEE FOR THE DEPARTMENTS OF COMMERCE, JUSTICE, STATE, THE JUDICIARY, AND RELATED AGENCIES

FEBRUARY 25, 1986

BUDGET REQUEST FOR FISCAL YEAR 1987

MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE:

I AM PLEASED TO APPEAR BEFORE YOU TODAY, ALONG WITH COMMISSION CHAIRMAN SENATOR ALFONSE M. D'AMATO, TO SUPPORT THE BUDGET REQUIREMENTS OF THE COMMISSION FOR FISCAL YEAR 1987.

I WOULD LIKE TO BEGIN BY MAKING A FEW BRIEF REMARKS AND THEN TURN THE TABLE OVER FOR QUESTIONS FROM THE SUBCOMMITTEE. IT IS REQUESTED THAT THE WRITTEN STATEMENT PREVIOUSLY SUBMITTED BE INSERTED INTO THE RECORD ALONG WITH OUR JUSTIFICATION OF ESTIMATES AND THE COMMISSION'S ANNUAL REPORT FOR THE YEAR 1985.

AT THIS TIME, I WOULD ALSO LIKE TO ACKNOWLEDGE THE DEDICATION AND LEADERSHIP OF CONGRESSMAN DANTE B. FASCELL, THE FORMER CHAIRMAN OF THE COMMISSION. CONGRESSMAN FASCELL STEPPED DOWN LAST APRIL AFTER ALMOST NINE YEARS WITH THE COMMISSION. HIS QUEST FOR FUNDAMENTAL FREEDOMS AND HUMAN RIGHTS FOR ALL PEOPLES, AND HIS COURAGE IN SPEAKING OUT ON VIOLATIONS OF ALL SECTIONS OF THE FINAL ACT BY ALL SIGNATORIES INCLUDING THE UNITED STATES, PLAYED A CRITICAL ROLE IN PLACING HUMAN RIGHTS IN THE FOREFRONT OF U.S. FOREIGN POLICY. UNDER CHAIRMAN FASCELL'S GUIDANCE, THE COMMISSION HAS BECOME THE LEADING EXPERT ON THE HELSINKI PROCESS AND HUMAN RIGHTS ISSUES AND IS A MAJOR SOURCE OF INFORMATION ON THESE ISSUES FOR THE U.S. CONGRESS, THE AMERICAN PUBLIC AND INDIVIDUALS AND ORGANIZATIONS AROUND THE WORLD.

ROTATION OF COMMISSION CHAIRMANSHIP

AS THE SUBCOMMITTEE IS AWARE, A NUMBER OF CHANGES HAVE TAKEN PLACE AT THE COMMISSION THIS PAST YEAR. IN ACCORDANCE WITH PUBLIC LAW 99-7, ON APRIL 15, 1985, CONGRESSMAN DANTE FASCELL RELINQUISHED HIS ROLE AS CHAIRMAN AND TURNED THE GAVEL OVER TO SENATOR ALFONSE D'AMATO. IN ADDITION, THE OFFICIAL POSITION OF CO-CHAIRMAN WAS CREATED AND THE SPEAKER APPOINTED ME TO FILL THAT POST. IN JANUARY 1987, THE BEGINNING OF THE 100th CONGRESS, THE CHAIRMANSHIP OF THE COMMISSION WILL ROTATE BACK TO THE HOUSE AND THE ROTATION WILL CONTINUE AT THE BEGINNING OF EACH CONGRESS THEREAFTER. THE LEGISLATION ALSO AMENDED THE NUMBER OF COMMISSIONERS TO BE APPOINTED TO NINE EACH FROM THE HOUSE OF REPRESENTATIVES AND THE U.S. SENATE.

FY 1986 ACTIVITIES

THE COMMISSION HAS STEADILY BUILT-UP THE LEVEL OF ACTIVITY IN FY 1986 DUE NOT ONLY TO THE INCREASE IN NUMBERS OF MEMBERS SERVING AS COMMISSIONERS BUT TO OUR EXPANDING AND INCREASED INVOLVEMENT IN ALL AREAS RELATING TO THE HELSINKI FINAL ACT. FOR EXAMPLE, THE COMMISSION HELD SEVEN HEARINGS IN THE LATTER HALF OF 1985 AND HAVE HELD OR PLAN TO HOLD AT LEAST SIX HEARINGS DURING THE FIRST THREE MONTHS OF 1986.

IF YOU REVIEW OUR ANNUAL REPORT TO THE CONGRESS FOR 1985, YOU WILL SEE SEVERAL AREAS WHERE THE COMMISSION HAS TAKEN A GREATER INTEREST AND IS EXPANDING ITS ROLE SUCH AS IMPLEMENTING OUR SECOND MANDATE -- TO MONITOR AND ENCOURAGE GOVERNMENTAL AND PRIVATE PROGRAMS AIMED AT EXPANDING EAST-WEST ECONOMIC COOPERATION AND THE INTERCHANGE OF PEOPLE AND IDEAS.

FOR EXAMPLE, THE COMMISSION IS COVERING DEVELOPMENTS IN EXCHANGE PROGRAMS IN THE BI-WEEKLY CSCE DIGEST AND HAS INVITED DIGEST RECIPIENTS TO INQUIRE ABOUT PARTICIPATION IN EXCHANGE PROGRAMS. IN RESPONSE TO THE MANY SUCH INQUIRIES WE HAVE RECEIVED TO DATE, THE COMMISSION IS NOW PREPARING A PAMPHLET DESCRIBING THE VARIOUS EXCHANGE PROGRAMS WITH A LISTING OF RELEVANT GOVERNMENT AND PRIVATE ORGANIZATIONS TO CONTACT FOR PARTICIPATION. IN ADDITION, COMMISSION STAFF HAS CONSULTED WITH REPRESENTATIVES FROM THE UNITED STATES INFORMATION AGENCY AND PRIVATE ORGANIZATIONS TO LEARN WAYS IN WHICH WE CAN ASSIST IN IMPLEMENTATION OF THEIR PROGRAMS, INCLUDING SUPPORTING USIA BUDGET SUBMISSIONS.

CSCE NEGOTIATIONS

IN ADDITION TO THE COMMISSION'S DAY-TO-DAY ACTIVITIES, THE STAFF CONTINUES TO PLAY A SUBSTANTIVE ROLE IN U.S. GOVERNMENT POLICY FORMULATION AND PLANNING FOR CSCE NEGOTIATIONS. DUE TO THE NATURE AND EXTENT OF THEIR EXPERTISE, COMMISSIONERS AND STAFF HAVE HELD KEY POSITIONS ON ALL U.S. DELEGATIONS SINCE THE FIRST MAJOR REVIEW MEETING IN BELGRADE IN 1977.

AT THE OTTAWA HUMAN RIGHTS EXPERTS MEETING IN MAY-JUNE 1985 AND THE BUDAPEST CULTURAL FORUM IN OCTOBER-NOVEMBER 1985, THE COMMISSION ACTIVELY SERVED ON THE U.S. DELEGATION AS SENIOR NEGOTIATORS, HUMAN RIGHTS ADVISORS, SPEECH AND CABLE WRITERS AND PUBLIC LIAISON OFFICERS.

THE ON-GOING CONFERENCE ON CONFIDENCE AND SECURITY-BUILDING MEASURES (CDE), WHICH BEGAN IN JANUARY OF 1984 IN STOCKHOLM, SWEDEN IS EXPECTED TO CONTINUE INTO THE FALL OF 1986. THE COMMISSION CLOSELY FOLLOWS THE CDE DELIBERATIONS, BOTH IN WASHINGTON AND BY PERIODIC PARTICIPATION ON THE U.S. DELEGATION. THROUGHOUT THE NEGOTIATIONS, THE U.S. DELEGATION, WITH STRONG URGING FROM THE COMMISSION, HAS EMPHASIZED THAT THE CDE IS AN INTEGRAL PART OF THE WIDER CSCE PROCESS AND THAT ALL CSCE ISSUES, INCLUDING HUMAN RIGHTS AND SECURITY, ARE INSEPARABLE.

UPCOMING CSCE ACTIVITIES

THE FINAL MEETING MANDATED BY THE MADRID REVIEW MEETING WILL CONVENE IN BERN, SWITZERLAND THIS APRIL. REQUIRED TO DISCUSS SUCH ISSUES AS BINATIONAL MARRIAGES, FAMILY REUNIFICATION AND TRAVEL FOR PERSONAL OR PROFESSIONAL REASONS, THE EXPERTS MEETING ON HUMAN CONTACTS PRESENTS AN EXCELLENT OPPORTUNITY FOR PROGRESS ON LONG-STANDING CASES PRIOR TO THE NEXT MEETING BETWEEN PRESIDENT REAGAN AND GENERAL SECRETARY GORBACHEV. THIS MEETING IS OF PARTICULAR CONCERN TO THE COMMISSION BECAUSE THE ISSUES BEING DISCUSSED EFFECT A GREAT NUMBER OF INDIVIDUAL AMERICAN CITIZENS WHO HAVE WORKED SO CLOSELY WITH US DURING THE PAST TEN YEARS. THERE IS NO OTHER EXPERTS MEETING WHICH HOLDS GREATER SIGNIFICANCE FOR THESE CONSTITUENTS THAN BERN.

THE SUBJECT OF THE BERN MEETING, HUMAN CONTACTS, IS ONE TO WHICH THE COMMISSION HAS DEVOTED THE MAJORITY OF ITS RESOURCES AND ATTENTION AND, ACCORDINGLY, ONE IN WHICH THE COMMISSION HAS UNMATCHED EXPERTISE. IN PREPARATION FOR THIS MEETING, THE COMMISSION STAFF IS WORKING CLOSELY WITH OTHER GOVERNMENT AGENCIES AND REPRESENTATIVES OF NON-GOVERNMENTAL ORGANIZATIONS IN PLANNING AND POLICY. I HOPE TO TAKE PART IN THE NEGOTIATIONS DURING THE LAST WEEK OF THE MEETING ALONG WITH MY CSCE COLLEAGUES.

FY 1987 ACTIVITIES

THE NEXT REVIEW MEETING OF THE HELSINKI PROCESS IS SCHEDULED TO TAKE PLACE IN VIENNA, AUSTRIA, ON NOVEMBER II, 1986, WITH A PREPARATORY MEETING TO DISCUSS THE MODALITIES AND AGENDA OF THE MEETING CONVENING SIX-WEEKS PRIOR. THE COMMISSION IS EXPECTED TO CONTINUE ITS STRONG PRESENCE IN VIENNA AND WILL WORK CLOSELY WITH THE STATE DEPARTMENT AND OTHER CONCERNED EXECUTIVE AGENCIES COMPILING BRIEFING MATERIAL, BACKGROUND NOTES AND REPORTS IN PREPARATION FOR VIENNA. IT IS ALSO ANTICIPATED THAT THE COMMISSION WILL PARTICIPATE IN EXTENSIVE BILATERAL AND MULTILATERAL CONSULTATIONS WITH WESTERN, NEUTRAL AND EASTERN SIGNATORY STATES IN THE MONTHS LEADING UP THE VIENNA REVIEW MEETING.

SINCE I AM HERE TODAY IN SUPPORT OF THE COMMISSION'S FISCAL YEAR 1987 BUDGET LET ME ASSURE THE SUBCOMMITTEE THAT, ALTHOUGH WE EXPECT THE VIENNA REVIEW MEETING TO BE IN SESSION FOR A MAJOR PORTION OF THE FISCAL YEAR, UNLIKE THE PROTRACTED MADRID MEETING, IT IS ANTICIPATED THAT OUR ACTIVITIES IN WASHINGTON IN SUPPORT OF THE VIENNA MEETING WILL BE INCREASED WITH STAFF ROTATING BETWEEN VIENNA AND WASHINGTON AS NECESSARY. IN THE NEAR FUTURE WE WILL BE HIRING ADDITIONAL RESEARCH PERSONNEL AND WILL FILL OUR VACANT POSITIONS. AS I STATED EARLIER, WE INTEND TO CONTINUE HOLDING HEARINGS ON SUBJECTS CLOSELY RELATED TO THE CSCE PROCESS, PARTICULARLY THE FUTURE OF THE PROCESS ITSELF AND THE UPCOMING INTERNATIONAL CONFERENCES. ALTHOUGH THE PRINTING AND BINDING OF OUR HEARINGS AND REPORTS IS NO LONGER A LINE ITEM ON OUR BUDGET, OTHER EXPENSES IN CONNECTION WITH THE HEARINGS SUCH AS FUNDS FOR TRAVEL FOR BRINGING EXPERT WITNESSES TO WASHINGTON TO TESTIFY, WILL BE NECESSARY.

CLOSING REMARKS

I AM PARTICULARLY GRATEFUL FOR THE COOPERATION AND SUPPORT THAT THE COMMISSION HAS RECEIVED FROM THIS SUBCOMMITTEE, MR. CHAIRMAN. WITHOUT YOUR HELP AND UNDERSTANDING WE COULD NEVER HAVE DONE SO MUCH FOR SO MANY PEOPLE WHO LOOK TO US FOR ASSISTANCE. I HOPE, THEREFORE, THAT YOU WILL CONTINUE TO FUND THE COMMISSION AS YOU HAVE IN THE PAST AND AS SET FORTH IN OUR BUDGET JUSTIFICATIONS.

THANK YOU.

WRITTEN STATEMENT
SUBMITTED TO THE HOUSE APPROPRIATIONS COMMITTEE, SUBCOMMITTEE ON THE DEPARTMENTS OF COMMERCE, JUSTICE, STATE, THE JUDICIARY AND RELATED AGENCIES
BY THE COMMISSION ON SECURITY AND COOPERATION IN EUROPE

February 25, 1986

BUDGET REQUEST FOR FISCAL YEAR 1987

THE COMMISSION ON SECURITY AND COOPERATION IN EUROPE WAS CREATED ON JUNE 3, 1976 BY PUBLIC LAW 94-304. AT THAT TIME, AN APPROPRIATION NOT TO EXCEED $350,000 WAS AUTHORIZED FOR EACH FISCAL YEAR TO REMAIN AVAILABLE UNTIL EXPENDED. ON OCTOBER 7, 1978, THE ENACTING LEGISLATION WAS AMENDED BY PUBLIC LAW 95-426 TO INCREASE THE AMOUNT OF APPROPRIATED FUNDS TO $550,000. THE COMMISSION'S APPROPRIATION HAD REMAINED AT THAT LEVEL FOR THE PAST SEVEN YEARS BUT, UNDER RECENT LEGISLATION PRIMARILY CALLING FOR ROTATION OF THE COMMISSION CHAIRMANSHIP (PUBLIC LAW 99-7, MARCH 27, 1985), THE CEILING ON APPROPRIATED FUNDS WAS LIFTED.

AS YOU KNOW, PUBLIC LAW 99-7 MADE MAJOR CHANGES IN THE COMMISSION. IN ADDITION TO PROVIDING FOR ROTATION OF THE CHAIRMANSHIP EFFECTIVE APRIL 15, 1985 AND AT THE BEGINNING OF EACH NEW CONGRESS THEREAFTER, THE LEGISLATION ESTABLISHED THE POSITION OF CO-CHAIRMAN. THE NUMBER OF COMMISSIONERS WAS INCREASED BY SIX, THREE FROM EACH HOUSE OF CONGRESS, BRINGING THE TOTAL NUMBER OF COMMISSIONERS TO 21 -- NINE FROM THE U.S. SENATE, NINE FROM THE HOUSE OF REPRESENTATIVES AND ONE EACH FROM THE DEPARTMENTS OF COMMERCE, DEFENSE AND STATE.

THE COMMISSION STAFF WAS ALSO AFFECTED. THE CHAIRMAN AND CO-CHAIRMAN ARE EACH AUTHORIZED TO APPOINT AND FIX THE PAY OF THEIR RESPECTIVE SENIOR STAFF PERSON. A PERSONNEL AND ADMINISTRATION COMMITTEE, MADE UP OF THE CHAIRMAN, CO-CHAIRMAN, AND THE SENIOR MEMBERS FROM THE MINORITY PARTIES IN BOTH HOUSES, WAS CREATED. PENDING THE APPROVAL OF THE PERSONNEL AND ADMINISTRATION COMMITTEE, THE CHAIRMAN AND CO-CHAIRMAN ARE AUTHORIZED TO APPOINT AT LEAST FOUR PROFESSIONAL STAFF MEMBERS. ALL DECISIONS PERTAINING TO HIRING, FIRING AND FIXING OF PAY OF OTHER PERSONNEL MUST BE APPROVED BY A MAJORITY VOTE OF THE PERSONNEL AND ADMINISTRATION COMMITTEE.

MEMBERSHIP OF THE COMMISSION

ON APRIL 15, 1985, THE PRESIDENT OF THE SENATE, ON THE RECOMMENDATION OF THE MAJORITY LEADER, APPOINTED SENATOR ALFONSE M. D'AMATO CHAIRMAN OF THE COMMISSION FOR THE DURATION OF THE 99th CONGRESS. THE SPEAKER OF THE HOUSE APPOINTED CONGRESSMAN STENY H. HOYER AS CO-CHAIRMAN. AT THE BEGINNING OF THE 100th CONGRESS, THE SPEAKER SHALL APPOINT THE CHAIRMAN AND THE PRESIDENT OF THE SENATE SHALL APPOINT THE CO-CHAIRMAN. THESE POSITIONS WILL ROTATE IN THE SAME MANNER THEREAFTER.

IN ADDITION TO THE APPOINTMENT OF CHAIRMAN AND CO-CHAIRMAN THE FOLLOWING MEMBERS OF CONGRESS WERE DESIGNATED TO SERVE ON THE COMMISSION FOR THE REMAINDER OF THE 99th CONGRESS:

HOUSE OF REPRESENTATIVES

Dante B. Fascell (D-FL)
Sidney Yates (D-IL)
Timothy Wirth (D-CO)
Edward Markey (D-MA)
Don Ritter (R-PA)
Christopher Smith (R-NJ)
Jack Kemp (R-NY)
John Porter (R-IL)

U.S. SENATE

John Heinz (R-PA)
James McClure (R-ID)
Malcolm Wallop (R-WY)
Gordon Humphrey (R-NH)
Claiborne Pell (D-RI)
Patrick Leahy (D-VT)
Russell Long (D-LA)
Dennis DeConcini (D-AZ)

THE EXECUTIVE BRANCH COMMISSIONERS HAVE NOT CHANGED. THE PRESIDENT OF THE UNITED STATES IS AUTHORIZED TO APPOINT ONE MEMBER EACH FROM THE DEPARTMENTS OF COMMERCE, STATE AND DEFENSE. AT THE PRESENT TIME, ONLY ONE MEMBER FROM THE EXECUTIVE BRANCH STILL SERVES ON THE COMMISSION, THE HONORABLE RICHARD NORMAN PERLE, ASSISTANT SECRETARY OF DEFENSE OF SECURITY POLICY, FROM THE DEPARTMENT OF DEFENSE. THE PRESIDENT HAS NOT FILLED EXISTING VACANCIES FOR THE DEPARTMENTS OF STATE AND COMMERCE.

THE HELSINKI PROCESS -- TEN YEARS LATER

THE CONFERENCE ON SECURITY AND COOPERATION IN EUROPE (CSCE) WAS A 35-NATION FORUM WHICH CULMINATED WITH THE SIGNING OF THE HELSINKI FINAL ACT ON AUGUST 1, 1975. THE FINAL ACT COVERS NEARLY EVERY ASPECT OF EAST-WEST RELATIONS, INCLUDING MILITARY SECURITY, TRADE AND ECONOMIC COOPERATION, HUMAN RIGHTS AND COOPERATION IN HUMANITARIAN FIELDS. SIGNED BY THE HEADS OF STATE OF THE UNITED STATES, CANADA AND ALL THE COUNTRIES OF EUROPE EXCEPT ALBANIA, THE FINAL ACT PROVIDES FOR PERIODIC REVIEWS OF IMPLEMENTATION AND DISCUSSION OF NEW MEASURES TO

ENHANCE EUROPEAN COOPERATION AND SECURITY. TWO REVIEW CONFERENCES HAVE BEEN HELD TO DATE, THE FIRST IN BELGRADE, YUGOSLAVIA FROM OCTOBER 1977 TO MARCH 1978 AND THE SECOND IN MADRID, SPAIN FROM NOVEMBER 1980 TO SEPTEMBER 1983. A THIRD FOLLOW-UP CONFERENCE IS SCHEDULED FOR NOVEMBER 1986 IN VIENNA, AUSTRIA.

THIS PAST AUGUST, REPRESENTATIVES OF THE SIGNATORY STATES MET IN HELSINKI, FINLAND, TO OBSERVE THE TENTH ANNIVERSARY OF THE SIGNING OF THE ACCORDS. AGAINST THE BACKDROP OF THE TENTH ANNIVERSARY COMMEMORATION, SECRETARY OF STATE GEORGE P. SHULTZ MET THE NEW SOVIET FOREIGN MINISTER, EDWARD SHEVARDNADZE. ALTHOUGH THE SUBSTANCE OF THEIR TALKS WAS CLOSELY HELD, THE THREE-HOUR EXCHANGE WAS CHARACTERIZED AS "INTERESTING, USEFUL, FRANK, BUSINESSLIKE AND PRODUCTIVE."

AT THE COMMEMORATION CEREMONIES, SECRETARY SHULTZ GAVE A HARD-HITTING SPEECH DETAILING CONTINUING VIOLATIONS OF THE FINAL ACT BY THE SOVIET UNION AND WARSAW PACT STATES. HE CITED MORE THAN 20 PERSONS WHO HAVE BEEN VICTIMIZED IN THE SOVIET UNION AND POLAND AND CALLED ATTENTION TO THE ARREST OF NUNS AND PRIESTS IN CZECHOSLOVAKIA. THE SECRETARY ALSO DESCRIBED VIOLATIONS IN THE AREAS OF FAMILY REUNIFICATION AND JEWISH, GERMAN AND ARMENIAN EMIGRATION; PERSECUTION OF HELSINKI MONITORS AND OTHER HUMAN RIGHTS ACTIVISTS; PSYCHIATRIC ABUSE; SUPPRESSION OF FREE TRADE UNIONS; RELIGIOUS REPRESSION; ANTI-SEMITISM; AND THE DISAPPEARANCE OF ANDREI SAKHAROV AND HIS WIFE ELENA BONNER.

THE SOVIET FOREIGN MINISTER, IN HIS REMARKS, TRIED TO SHIFT THE FOCUS FROM HUMAN RIGHTS TO EUROPEAN SECURITY. CLAIMING THAT THE SOVIET UNION IS A "DEDICATED CHAMPION OF INTERNATIONAL COOPERATION IN RESOLVING HUMANITARIAN ISSUES," SHEVARDNADZE WENT ON TO WARN THAT "ALL THESE QUESTIONS ARE DIRECTLY RELATED TO THE SPHERE OF IDEOLOGY WHERE THE SOCIALIST STATES AND THE CAPITALIST WORLD HOLD OPPOSITE POSITIONS. AS A RESULT OF THE SOCIALIST TRANSFORMATION OF OUR COUNTRY'S SOCIETY, UNEMPLOYMENT, POVERTY, HOMELESSNESS AND ANY MANIFESTATION OF DESCRIMINATION BASED ON RACE OR NATIONALITY HAVE LONG BEEN ELIMINATED FOR GOOD."

FOR THE TENTH ANNIVERSARY COMMEMORATION, THE COMMISSION PREPARED BRIEFING MATERIALS FOR THE SECRETARY'S USE AS WELL AS INFORMATIONAL PACKETS FOR DISTRIBUTION TO OTHER MEMBERS OF THE SECRETARY'S PARTY, THE PRESS AND PUBLIC. FOUR COMMISSION STAFF ACCOMPANIED THE SECRETARY OF STATE TO HELSINKI DURING THE PERIOD JULY 29 TO AUGUST 3, 1985.

EXPERTS MEETINGS

TWO EXPERTS MEETINGS, AS MANDATED BY THE MADRID REVIEW CONFERENCE, WERE HELD AS SCHEDULED DURING 1985. THE FIRST, CONVENED IN OTTAWA, CANADA FROM MAY 7 THROUGH JUNE 18, 1985 REVIEWED QUESTIONS CONCERNING RESPECT FOR HUMAN RIGHTS AND FUNDAMENTAL FREEDOMS, IN ALL THEIR ASPECTS, AS EMBODIED IN THE FINAL ACT. THE OTTAWA HUMAN RIGHTS EXPERTS MEETING WAS

EXPECTED TO REACH AGREEMENT ON CONCLUSIONS AND RECOMMENDATIONS TO BE SUBMITTED TO THE GOVERNMENTS OF ALL PARTICIPATING STATES. DUE TO SOVIET INTRANSIGENCE, HOWEVER, THE MEETING FAILED TO FULFILL THIS SECOND PART OF ITS MANDATE. THE WEST AND THE NEUTRALS REAFFIRMED THEIR UNITY OF VIEWS AND VALUES ON HUMAN RIGHTS, PRODUCING A DRAFT DOCUMENT OF THEIR OWN. THEY ALSO AGREED AT THE CLOSE OF THE MEETING THAT NO FINAL DOCUMENT WAS PREFERABLE TO ONE THAT WOULD MERELY PAPER OVER DIFFERENCES. AN IMPORTANT LEGACY OF THE OTTAWA MEETING WAS THIS DRAFT WESTERN AND NEUTRAL DOCUMENT. THIS COLLECTION OF CONCLUSIONS AND RECOMMENDATIONS PUT FORWARD BY ALL THE NATO COUNTRIES AND IRELAND IS, IN EFFECT, A COMMON HUMAN RIGHTS AGENDA. IT WILL SERVE AS GUIDANCE FOR SUBSEQUENT NEGOTIATIONS AT THE BERN HUMAN CONTACTS EXPERTS MEETING IN APRIL 1986 AND THE VIENNA REVIEW CONFERENCE IN NOVEMBER 1986.

THE SECOND MEETING, A CULTURAL FORUM, WAS HELD IN BUDAPEST, HUNGARY, FROM OCTOBER 15 THROUGH NOVEMBER 25, 1985. THE FORUM DISCUSSED INTERRELATED PROBLEMS CONCERNING CREATION, DISSEMINATION AND COOPERATION, INCLUDING THE PROMOTION AND EXPANSION OF CONTACTS AND EXCHANGES, IN THE VARIOUS FIELDS OF CULTURE. LIKE THE OTTAWA HUMAN RIGHTS EXPERTS MEETING, A SUBSTANTIVE CONCLUDING DOCUMENT SEEKING TO REMOVE THE HUMAN RIGHTS IMPEDIMENTS TO CULTURE WAS NOT ACHIEVED. AN OMNIBUS DOCUMENT, SPONSORED BY ALL THE NATO COUNTRIES PLUS IRELAND, WITH OVER 200 PROPOSALS APPENDED THERETO, WAS DRAFTED AND SHOULD BE A KEY BUILDING BLOCK FOR A STRONG WESTERN NEGOTIATING POSITION AT THE VIENNA REVIEW MEETING.

THE COMMISSION STAFF PLAYED A VITAL ROLE IN U.S. GOVERNMENT POLICY FORMULATION AND PLANNING FOR THESE NEGOTIATIONS. COMMISSIONERS AND STAFF HAVE HELD KEY POSITIONS ON ALL U.S. DELEGATIONS SINCE THE FIRST MAJOR REVIEW MEETING IN BELGRADE IN 1977-78 AND EXPECT TO CONTINUE TO DO SO IN ALL FUTURE NEGOTIATIONS. THE PRESENCE OF COMMISSION MEMBERS AND STAFF ON THESE OFFICIAL DELEGATIONS DEMONSTRATES BROAD-BASED PUBLIC CONCERN FOR HUMAN RIGHTS AS WELL AS BI-PARTISAN CONGRESSIONAL RESOLVE TO ADDRESS EAST-WEST PROBLEMS.

IN ADDITION TO THE ABOVE EXPERTS MEETINGS, THE CONFERENCE ON CONFIDENCE AND SECURITY-BUILDING MEASURES AND DISARMAMENT IN EUROPE (ALSO KNOWN AS THE CDE) MET IN FOUR NEGOTIATING SESSIONS TOTALLING 29 WEEKS IN 1985 AND IS EXPECTED TO CONTINUE UNTIL SEPTEMBER OF 1986. THROUGHOUT THE NEGOTITIONS, THE U.S. DELEGATION, WITH STRONG URGING FROM THE COMMISSION, HAS EMPHASIZED THAT THE CDE IS AN INTEGRAL PART OF THE WIDER CSCE PROCESS AND THAT ALL CSCE ISSUES, INCLUDING HUMAN RIGHTS AND SECURITY, ARE INSEPARABLE.

IN 1986, A HUMAN CONTACTS EXPERTS MEETING IS SCHEDULED TO TAKE PLACE IN BERN, SWITZERLAND. THE BERN MEETING IS OF PARTICULAR INTEREST AND CONCERN TO THE COMMISSION AND TO THE MANY NON-GOVERNMENTAL ORGANIZATIONS AND INDIVIDUALS WHO HAVE WORKED SO CLOSELY WITH US DURING THE PAST TEN YEARS. THE COMMISSION WAS RESPONSIBLE FOR THE PROPOSAL AT MADRID CALLING FOR AN EXPERTS MEETING ON THE SUBJECT OF HUMAN CONTACTS. THE

BERN MEETING PRESENTS AN EXCELLENT OPPORTUNITY FOR PROGRESS ON FAMILY REUNIFICATION AND BINATIONAL MARRIAGE CASES AS WELL AS ISSUES SUCH AS BARRIERS TO TRAVEL FOR PERSONAL OR PROFESSIONAL REASONS BETWEEN EAST AND WEST.

HUMAN CONTACTS CASEWORK IS THE BACKBONE OF THE COMMISSION. CORRESPONDENCE COMES TO THE COMMISSION FROM INDIVIDUALS AND ORGANIZATIONS TRYING TO FACILITATE THE EMIGRATION OF THEIR RELATIVES, FRIENDS OR COLLEAGUES FROM SOVIET UNION, ROMANIA AND OTHER EAST BLOC STATES AS WELL AS MEMBERS OF CONGRESS WHO FORWARD CONSTITUENT MAIL. THE COMMISSION STAFF COUNSELS AND ADVISES ON POSSIBLE STRATEGIES TO RESOLVE HUMAN CONTACTS CASES. IT PERIODICALLY PRESENTS LISTS OF UNRESOLVED CASES TO REPRESENTATIVES OF EAST EUROPEAN GOVERNMENTS AND, WHEN NECESSARY, INTERVENES DIRECTLY WITH REPRESENTATIVES OF THOSE GOVERNMENTS ON MORE PRESSING INDIVIDUAL CASES.

FISCAL YEAR 1986 ACTIVITIES

WE HAVE STEADILY INCREASED THE LEVEL OF COMMISSION ACTIVITY, EXPANDING OUR INVOLVEMENT IN ALL AREAS RELATING TO THE HELSINKI FINAL ACT. IN THE FIRST THREE MONTHS OF FISCAL YEAR 1986, FOUR HEARINGS WERE HELD ON TOPICS RANGING FROM THE FUTURE OF THE CSCE PROCESS TO SOVIET VIOLATIONS OF THE HELSINKI ACCORDS IN AFGHANISTAN. A HEARING ON U.S VISA POLICY WAS CONDUCTED IN EARLY FEBRUARY AND TWO HEARINGS ARE CURRENTLY SCHEDULED FOR THE LAST WEEK OF FEBRUARY. THIS IS A MARKED INCREASE OVER FISCAL YEARS 1985 AND 1984 WHEN ONLY THREE

HEARINGS WERE HELD EACH AND FISCAL YEAR 1983 WHEN ONLY TWO HEARINGS WERE HELD. WE ANTICIPATE HOLDING AT LEAST ONE HEARING PER MONTH FOR THE REMAINDER OF THE FISCAL YEAR ON VARIOUS TOPICS OF CONCERN TO THE CONGRESS AND NON-GOVERNMENTAL ORGANIZATIONS. THE COMMISSION PLANS TO REVIEW ISSUES SUCH AS THE BERN MEETING, POLICY AND PLANNING FOR THE VIENNA REVIEW CONFERENCE, THE CDE NEGOTIATIONS AND THE BASKET II SECTION OF THE FINAL ACT DEALING WITH ECONOMIC COOPERATION AND EXCHANGES.

A MAJOR AREA WHICH WOULD NORMALLY HAVE BEEN AFFECTED BY THE INCREASE IN HEARINGS IS PRINTING AND BINDING. AT THE TIME THE COMMISSION'S FISCAL YEAR 1986 BUDGET WAS PREPARED, IT WAS ANTICIPATED THAT ONLY FOUR HEARINGS WOULD BE CONDUCTED AT A TOTAL COST OF $20,000. IN REVIEWING OUR NEEDS, IT BECAME APPARENT THAT WE COULD NOT CONTINUE TO PAY FOR THE PRINTING AND BINDING OF ALL THE ADDITIONAL HEARINGS AS WELL AS OTHER REPORTS OUT OF OUR BUDGET. THEREFORE, LEGISLATION WAS PROPOSED WHICH PROVIDED THAT THE COMMISSION'S PRINTING COSTS WOULD BE PAID UNDER THE CONGRESSIONAL PRINTING AND BINDING APPROPRIATION. THIS PROPOSED LEGISLATION WAS ADOPTED ON DECEMBER 19, 1985 AS AN AMENDMENT PUBLIC LAW 99-190.

ALTHOUGH THESE CHARGES ARE NO LONGER CONSIDERED A LINE ITEM ON OUR BUDGET, NOT ALL TYPES OF COMMISSION DOCUMENTS ARE COVERED BY THIS LEGISLATION. ONLY AUTHORIZED HEARINGS AND REPORTS PRINTED BY THE U.S. GOVERNMENT PRINTING OFFICE CAN BE CHARGED TO THE CONTINGENCY FUND. ALL OTHER PRINTED MATTER, SUCH AS THE BI-WEEKLY CSCE DIGEST, BROCHURES, NEWSLETTERS AND PRESS RELEASES MUST BE PAID FOR OUT OF APPROPRIATED FUNDS.

ANOTHER AREA AFFECTED BY THE INCREASE IN THE NUMBER OF HEARINGS IS DOMESTIC TRAVEL. AS THE NUMBER OF HEARINGS INCREASES, SO DOES THE NUMBER OF WITNESSES WHO ARE REQUESTED TO TESTIFY. SINCE THEY ARE REQUESTED TO APPEAR IN AN OFFICIAL CAPACITY, THE COMMISSION MUST PAY THEIR TRAVEL COSTS.

THE COMMISSION WILL ALSO UNDERTAKE A MAJOR RESEARCH PROJECT IN ADVANCE OF THE VIENNA REVIEW CONFERENCE. PREPARATIONS FOR A REPORT ON IMPLEMENTATION OF THE FINAL ACT TEN YEARS AFTER HELSINKI SHOULD BEGIN IN THE NEAR FUTURE WITH FINAL DISTRIBUTION OF THE COMPLETED REPORT ANTICIPATED BEFORE THE OPENING OF THE VIENNA MEETING ON NOVEMBER 11, 1986 . THE COMMISSION PREVIOUSLY ISSUED THREE IMPLEMENTATION REPORTS, RESPECTIVELY TWO, FIVE AND SEVEN YEARS AFTER HELSINKI. THE COMMISSION ALSO ISSUED A REPORT ON UNITED STATES COMPLIANCE WITH THE FINAL ACT IN 1979, WHICH WAS UPDATED IN THE SEVEN-YEARS AFTER REPORT. IN ADDITION, LAST YEAR THE COMMISSION STAFF CONDUCTED A SECTION-BY-SECTION REVIEW OF THE HELSINKI FINAL ACT HIGHLIGHTING POSITIVE DEVELOPMENTS WITHIN THE CSCE FRAMEWORK.

THE NUMBER OF STAFF POSITIONS ON THE COMMISSION HAS REMAINED CONSTANT. WITH THE ROTATION OF THE CHAIRMANSHIP, A NUMBER OF POSITIONS BECAME VACANT DURING FY 1986. ON AUGUST 15, 1985, $75,000 IN SUPPLEMENTAL FUNDS WERE AUTHORIZED (PUBLIC

LAW 99-88) FOR SALARIES AND EXPENSES OF THE COMMISSION. IT IS ANTICIPATED THAT ADDITIONAL STAFF WILL BE NEEDED TO ASSIST WITH RESEARCHING AND WRITING THE UPCOMING IMPLEMENTATION REPORT AND IN PLANNING AND PREPARATION FOR THE VIENNA REVIEW MEETING.

WE ANTICIPATE A 4.3% REDUCTION, OR APPROXIMATELY $24,000, IN THE FISCAL YEAR 1986 BUDGET IN ACCORDANCE WITH THE BALANCED BUDGET AND EMERGENCY DEFEICIT CONTROL ACT OF 1985. IT IS EXPECTED THAT THESE COSTS WILL BE DIVIDED AMONG THE VARIOUS BUDGET CATEGORIES WITH MINIMAL IMPACT ON THE COMMISSION'S ACTIVITIES FOR THE REMAINDER OF THE FISCAL YEAR.

ECONOMIC COOPERATION AND INTERCHANGE OF PEOPLE

IN COMPLIANCE WITH THE COMMISSION'S "SECOND MANDATE" -- TO MONITOR AND ENCOURAGE THE DEVELOPMENT OF PROGRAMS AND ACTIVITIES OF THE UNITED STATES GOVERNMENT AND PRIVATE ORGANIZATIONS WITH A VIEW TOWARD TAKING ADVANTAGE OF THE PROVISIONS OF THE FINAL ACT TO EXPAND EAST-WEST ECONOMIC COOPERATION AND A GREATER INTERCHANGE OF PEOPLE AND IDEAS BETWEEN EAST AND WEST -- THE COMMISSION HAS BEEN ACTIVELY EXPLORING WAYS IN WHICH PRIVATE ORGANIZATIONS AND GOVERNMENT AGENCIES CAN WORK TOGETHER IN THE DEVELOPMENT OF EXCHANGE PROGRAMS. FOR EXAMPLE, THE COMMISSION NOW COVERS DIFFERENT EXCHANGES IN ITS CSCE DIGEST AND HAS INVITED DIGEST RECIPIENTS TO INQUIRE ABOUT PARTICIPATION IN SUCH PROGRAMS. IN RESPONSE TO THE NUMEROUS INQUIRIES WE HAVE RECEIVED TO DATE, A PAMPHLET

IS BEING PREPARED WHICH DESCRIBES THE VARIOUS EXCHANGE PROGRAMS AND LISTS RELEVANT GOVERNMENT AND PRIVATE ORGANIZATIONS.

IN ADDITION, MEETINGS HAVE BEEN HELD WITH REPRESENTATIVES FROM THE UNITED STATES INFORMATION AGENCY AND PRIVATE ORGANIZATIONS. UTILIZING THE EXPERIENCES OF THESE ORGANIZATIONS AND WORKING WITH GOVERNMENT AGENCIES WHICH SPONSOR AND FUND EXCHANGE PROGRAMS, THE COMMISSION PLANS TO FACILITATE SUCH PROGRAMS AND ASSIST IN SEEKING FUNDING SOURCES.

THE COMMISSION CONTINUES TO CLOSELY MONITOR EAST-WEST TRADE DEVELOPMENTS SUCH AS THE RESUMPTION OF HIGH-LEVEL TRADE TALKS BETWEEN THE UNITED STATES AND THE SOVIET UNION. SUCH DEVELOPMENTS HAVE OFTEN BEEN REPORTED AND ANALYZED IN THE DIGEST. THE COMMISSION ALSO PUBLISHES INFORMATION ON SPECIFIC ASPECTS OF EAST-WEST ECONOMIC RELATIONS.

WHILE THE MADRID CONCLUDING DOCUMENT SCHEDULED MEETINGS FOR THE DISCUSSION OF SPECIFIC TOPICS COVERED BY THE HELSINKI PROCESS, NONE OF THESE MEETINGS COVERED BASKET II, ECONOMIC AND SCIENTIFIC COOPERATION. INSTEAD, THE PARTICIPATING STATES CALLED UPON THE UNITED NATIONS ECONOMIC COMMISSION FOR EUROPE (ECE), LOCATED IN GENEVA, SWITZERLAND, TO IMPLEMENT THE BASKET II PROVISIONS. THE ECE, THEREFORE, INCORPORATED CSCE-RELATED ACTIVITY INTO ITS PROGRAM OF WORK. THE COMMISSION HAS PARTICIPATED ON THE U.S. DELEGATIONS TO BOTH THE ANNUAL PLENARY SESSIONS OF THE ECE AND THE MEETINGS OF THE ECE'S COMMITTEE ON THE DEVELOPMENT OF TRADE.

FISCAL YEAR 1987 ACTIVITIES

THE COMMISSION'S BUDGET REQUEST FOR FISCAL YEAR 1987 HAS NOT CHANGED SUBSTANTIALLY FROM PREVIOUS YEARS' REQUESTS. MINOR CHANGES HAVE BEEN MADE TO ACCOMMODATE OUR NEEDS DURING THE UPCOMING VIENNA REVIEW CONFERENCE, THE PREPARATORY MEETING FOR WHICH CONVENES IN MID-SEPTEMBER. THE LEVEL OF COMMISSION ACTIVITIES IN WASHINGTON WILL NOT BE AFFECTED BY THE NEGOTIATIONS IN VIENNA. ALTHOUGH STAFF WILL CERTAINLY BE ROTATED ONTO THE U.S. DELEGATION, WE EXPECT TO MAINTAIN PLANNED ACTIVITIES AND SUPPORT THE DELEGATION AS REQUIRED.

WE DO NOT EXPECT TO INCREASE THE NUMBER OF STAFF POSITIONS OR RAISE THE STAFF SALARIES; OUR DOMESTIC TRAVEL NEEDS WILL REMAIN STABLE AS WILL CHARGES FOR COMMUNICATION AND UTILITIES. NO MAJOR CHANGES ARE EXPECTED IN EXISTING EQUIPMENT AT THE COMMISSION OFFICES, EXCEPT FOR UPDATING THE EXISTING COMPUTER SOFTWARE. THEREFORE, IT IS ANTICIPATED THAT THE COMMISSION WILL BE ABLE TO CONTINUE TO CARRY OUT IS MANDATE AS IT HAS IN THE PAST, IN AN EFFICIENT AND COST-EFFECTIVE MANNER.

Mr. SMITH. This is not exactly in your area, but you mentioned commercial ventures. I cannot help but mention here, that I thought that it was significant that when we wanted other countries to join with us in regard to sanctions against Libya, that trade came first. Sometimes I think that if we can increase our trading possibilities, that some time other things might fall in line.

You do not like to disrupt trading if you can avoid it. It is easier to do that if you do not have much trade going on.

I think that is a significant part of it.

What is this about consultant's fees at $48,000?

Explain that to me.

Mr. HATHAWAY. Our deputy staff director, Mr. Sam Wise, is on staff as a consultant.

Mr. SMITH. That is one person?

Mr. HATHAWAY. Yes, sir.

Senator D'AMATO. Mr. Wise is rather reknowned and distinguished in his areas of expertise. That is why he is our consultant. He is the only person—I would like to say, he is the only person that we have retained as a consultant. We have kept this Commission from being a political dumping ground.

I want to commend Chairman Hoyer because on several occasions there has been extreme pressure placed upon my co-chairman and he has resisted that pressure. He has made my job easy because there are many who would like to add additional personnel to the Commission staff. He has seen to it that we have kept the Commission professional. It should and must be, I think, operated and kept in that way.

So, you will not see a number of consultant contracts being given out.

Mr. HOYER. Mr. Chairman, if I may, Senator D'Amato gave me credit, but the credit properly belongs to him. You can well appreciate all of us being political figures, the pressure that was placed upon the new chairman as he followed Dante Fascell who had led it for nine years, and Spencer Oliver who had been the Staff Director. The credit, in my opinion, for the non-politicization of the staff, goes to Senator D'Amato who came in as the first Republican Chair in nine years and was, himself, under a significant amount of pressure to clean house and bring in a new set of players. Senator D'Amato, to his great credit, and I guess I took some of the heat simply because it was more convenient to blame me in some instances, insisted upon keeping the staff professional and continuing to operate it on a nonpartisan fashion.

He has done that successfully and I congratulate him for it; and I think the Commission is better for it.

Mr. SMITH. Well, we certainly want it that way.

What kind of activities or what types of activities will you be engaged in the balance of this year and in '87 that are any different than what they were in '85 and '84?

Senator D'AMATO. I think you will find the intensity level of our activities will be increased. There will be a number of hearings specifically involving some of the NGO groups, addressing the meeting in Bern followed by hearings on the last meeting, the one in Vienna.

This latter meeting, which starts in November, could last for a period of years. It is a total reappraisal or an appraisal of the accomplishments, the failures, the successes and the prospects of the Helsinki process. It will be very, very intense, indeed.

At the present time, we will be holding hearings in March to attempt to find out from the State Department the direction they are going. I must confess to you that there have been many groups, the NGOs, who have been particularly upset with the lack of linkage in terms of human rights as we deal with the Soviets and eastern bloc nations in talks about increased trade and disarmament. These NGO, are concerned about systematic violation of rights within the Soviet Union and the eastern bloc nations.

So it is our determination—Congressman Hoyer's staff, myself and the other Commissioners—to attempt to not only prod the State Department by asking them why there has not been linkage, but to see if we cannot encourage this kind of policy as it relates to Bern and Vienna, the conferences there.

Mr. SMITH. That gets us back to the chicken and the egg. If we are not trading to a very great extent, it is easy to cut off the human rights. They showed that after the passage of Jackson-Vanik.

If you are not doing a lot of trading, they lose nothing by cutting it off. So it is not a matter anymore that we have the only goods in the world that they can obtain. There are other sources, too.

Senator D'AMATO. I think, again, Mr. Chairman, a lot of this is speculation. You make a good point; but we have to do all that we can to see to it that they begin to—and I think they have—open the door, as it were, to Soviet Jews who wish to emigrate. We must work to end the systematic violation of the rights of others, the Helsinki monitors.

I believe they want to, and I think they have already begun to, demonstrate that they will undertake this.

Mr. SMITH. At least there is some improvement over what it was the year after Jackson-Vanik passed, right?

Senator D'AMATO. Hopefully, this is the kind of thing that will come about in the next year. I think we are going to know within the next year one way or the other.

Mr. EARLY. What input or influence has the Commission had on the ongoing conference on Confidence and Security Building measures?

Mr. HOYER. Yes. Senator D'Amato could not go, but Congressman Dante Fascell and I led a delegation to Stockholm last summer. We met with U.S. Ambassador Goodby and the head of the Soviet delegation shortly before the conference recessed for the summer.

The conference is now in its 9th round and we intend to visit Stockholm again. I might say that Sam Wise of our staff is in a consultant capacity because he came to the Commission from the State Department. He has, I think, some 25 years of experience.

He is perceived by Senator D'Amato and I as a nonpartisan, professional member of our staff. He has spent time, as have other members of our staff, working with the State Department and as a member of the United States delegation in formulating U.S. positions as they relate to security and cooperation.

Obviously, the Soviets, as you well know, believe that the security basket of the Helsinki accords is more critical to European security and cooperation than the human rights basket and the economic cooperation basket. They continually attempt to use CDE as a lever to create divisions within NATO and to isolate the United States.

Clearly, our European allies are very concerned because of the proximity of the Soviet Union to their borders.

Mr. Early. Senator, does the Commission have an opinion about the State Department's security supplemental and new diplomatic security initiatives for our buildings abroad?

Mr. Hoyer. When you say security of buildings, do you mean our embassies?

Mr. Early. Yes.

Mr. Hoyer. The Commission has not taken a position on that.

Mr. Early. You have nothing to do with it?

Mr. Hoyer. No. That really is not in our bailiwick.

Mr. Early. Do you have any people there for whose security you have responsibility?

Mr. Hoyer. Clearly, when we have staff members go over there, as we do regularly—though we don't have a staff member over there now—the State Department essentially provides for the security of the delegation itself.

Mr. Early. Thank you, sir.

Mr. Dwyer. Just one question, Mr. Chairman.

The Senator mentioned prodding the State Department. On Saturday, I had some people in my district office of Rumanian extraction. They are waiting for one of the members of their family to come to this country.

They have a passport to emigrate to the U.S., but they cannot get to first base with our embassy in Bucharest. How powerful and effective is your prod?

Senator D'Amato. Congressman, I want to tell you, he is terrific. [Laughter.]

But why don't you give that to us and we will see what we can do.

Mr. Dwyer. I will.

Senator D'Amato. He has had some pretty good effect as it relates to Rumania, too. The staff is one that we can be very proud of, they are professional and they do a good job.

Mr. Dwyer. They were upset because they had just received a kind of hurried phone message from Bucharest.

Senator D'Amato. That everything is set to go in our own embassy?

Mr. Dwyer. That is right, and the Rumanians are now going to invalidate their emigration passport. If you don't have a passport, you cannot leave the country.

Mr. Hoyer. Why don't we get on that right away.

Mr. Dwyer. Okay.

Mr. Hoyer. As you know, I am new to the Commission. It would be remiss of me to appear before this Subcommittee and not comment publicly on the confidence that Joe Early had in me.

My own view is that Congressman Early is very much responsible for my sitting in this chair.

Mr. **Dwyer**. Good. I know who to blame.

Mr. **Hoyer**. Right; the Chair of the Commission on Security and Cooperation in Europe.

One of the strengths of our Commission is its staff work with respect to casework. It is hard to see that; it is not a big publicity aspect of our Commission's work; but it is the real guts of it.

There is no group of people in the country, including the State Department, any more expert on casework similar to what you are mentioning, Congressman, as is the staff of the commission.

We will get right on that. If you will get us the name, we will get that today.

Mr. **Dwyer**. I will get it to you today.

Mr. **Hoyer**. Thank you.

Thank you, Mr. Chairman.

Mr. **Smith**. Thank you.

QUESTIONS SUBMITTED BY THE HOUSE APPROPRIATIONS COMMITTEE SUBCOMMITTEE ON COMMERCE, JUSTICE, STATE, THE JUDICIARY AND RELATED AGENCIES TO THE COMMISSION ON SECURITY AND COOPERATION IN EUROPE

FISCAL YEAR 1987 BUDGET REQUEST

Question: Your FY 1987 budget reflects an unobligated balance of $119,000. Please explain the reason for this carryover. Have you spent the total unobligated balance from FY 1985? Since FY 1985 the Commission has carried forward unobligated balances. Please explain the reason for this practice.

Answer: At the end of FY 1985 the Commission showed an unobligated balance of $280,000. We applied $161,000 of that carryover to FY 1986 and the remaining $119,000 to FY 1987. Our authorizing legislation provides that appropriated funds "shall remain available until expended." Historically, the Commission's finances have always involved some carryforward of unexpended funds. We agree that, in the interest of efficient financial management, the size of this unobligated and unexpended balance should be minimized. In fact, that will be the immediate result of our reduced FY 1987 budget request. It is anticipated that amendment of the FY 1986 and FY 1987 budgets will severely reduce if not totally eliminate the carryover that has been building for the last several years.

* * * * *

Question: You are requesting $1,000 for "other services." What does this request include?

Answer: Under the category of Rent, Communications and Utilities, the Commission has requested $1,000 for "other services" to cover miscellaneous expenses such as express mail, telegrams and mailgrams. The Commission sends telegrams or mailgrams, depending upon the urgency of the situation, when necessary to the Soviet Union and other signatory states expressing its concern regarding specific cases or actions. In addition, express mail services are paid for with these funds.

Question: In FY 1987, the Commission is requesting $7,000 for stenographic and photographer services for hearings and translation fees. Please provide for the record a breakdown of the estimated costs for each of these items. With respect to translation services, would it be possible to request assistance from the State Department when the need for translations arises? Have you investigated this possibility?

Answer: A majority of the charges in this area (approximately $6,000) covers court reporting services for hearings and official meetings. A minimal cost is incurred for purchasing film and for film development. (The Commission purchased its own camera last year and a staff member is assigned to take official photos at hearings and meetings).

With respect to translation services, the Commission relies primarily on its own expertise with a staff having language capability in French, German, Spanish, Ukrainian and Russian. At times it is necessary to seek outside assistance as, for example, when the Commission compiled a report of the Charter '77 documents which needed to be translated from Czechoslovakian. Because of the volume of work to be translated and the difficulty of the language involved, a representative of the Czechoslovak National Council volunteered to do the translation for us. On other occasions, the Commission requests language services from the Library of Congress. We rely on outside translators only if no other alternative is available. We then pay for their services with these funds.

The State Department, although a number of its employees are trained in the various foreign languages, does not supply translators to other government agencies. They do not have a staff to translate documents or witnesses' remarks at hearings or meetings. The staff of the Commission is allowed to attend the State Department's Foreign Service Institute for language training. Staff members have attended these training classes in the past either to further their knowledge in a language they had already studied or to learn a specific language for an upcoming international meeting. While this resource is available to answer long-term needs, it takes staff away from their principal duties and does not respond to short-term urgent translation requirements.

THURSDAY, FEBRUARY 27, 1986.

UNITED STATES ARMS CONTROL AND DISARMAMENT AGENCY

WITNESSES

KENNETH L. ADELMAN, DIRECTOR

WILLIAM J. MONTGOMERY, DIRECTOR OF ADMINISTRATION

WILLIAM AMOROSO, BUDGET OFFICER

FISCAL YEAR 1987 BUDGET REQUEST

Mr. CARR. This afternoon we will hear the budget request for the United States Arms Control and Disarmament Agency. And here to testify is Ken Adelman of ACDA.

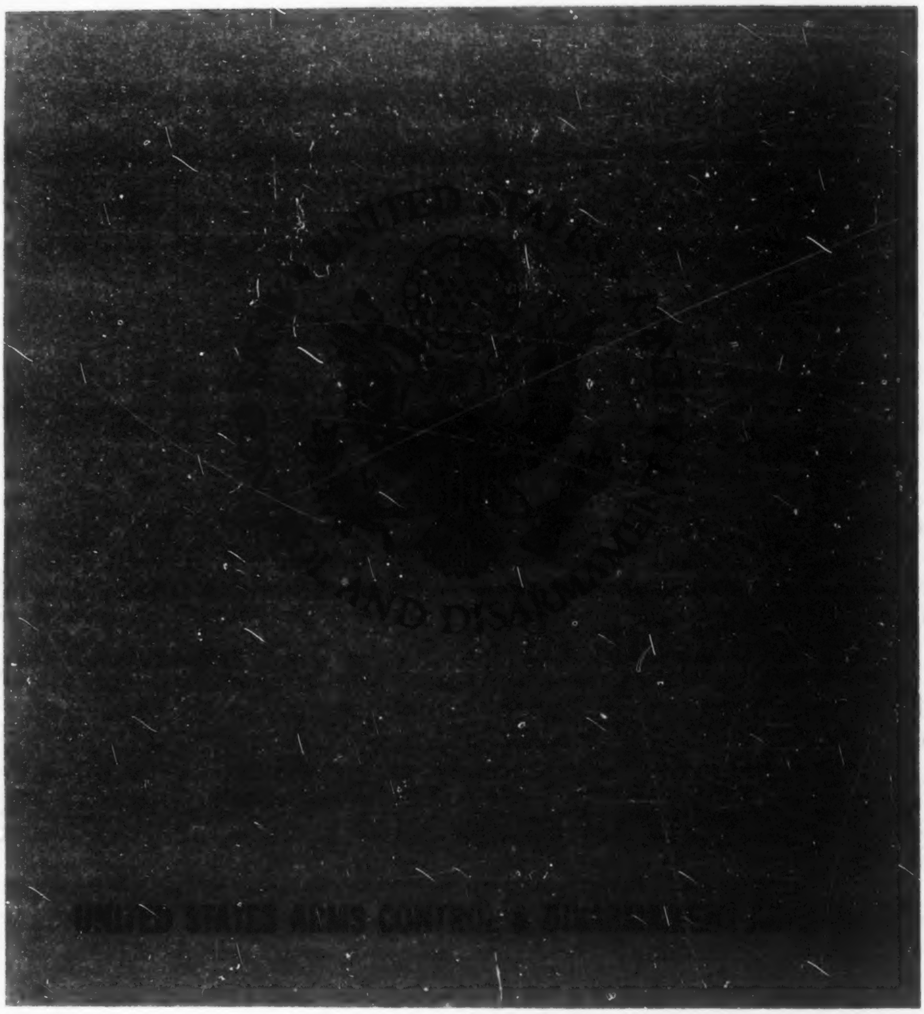
The 1987 budget request is for $31 million. This includes an amount of $5,250,000 for the Reduced Enrichment in Research and Test Reactor Program.

This has been traditionally handled by the Energy and Water Subcommittee. We will forego any action on that portion and allow the other subcommittee to retain jurisdiction over that particular activity.

The balance of the budget request, which is $25.75 million represents an increase of 1.012 million above the revised 1986 Appropriation Act, after the sequestration of 1.112 million under Gramm-Rudman has taken effect.

At this point, we will insert the justifications in the record. Welcome Mr. Adelman.

[Justification follows:]



UNITED STATES ARMS CONTROL & DISARMAMENT AGENCY

FY-1987 BUDGET

Appropriation: ARMS CONTROL & DISARMAMENT ACTIVITIES

CONGRESSIONAL SUBMISSION

UNITED STATES ARMS CONTROL AND DISARMAMENT AGENCY

INDEX

Subject — Page

I. FY-1987 Summary of Budget Request. 1

II. Appropriation Language 2

III. Background Information

  Introduction 3

  FY-1987 Funding Request. 3

  FY-1986 Funding. 4

  Bilateral Negotiations 5

  Multilateral Negotiations. 9

  Reducing the Risks of Nuclear Proliferation. 11

  Arms and Technology Transfers. 15

  Defense Program Analysis and Arms Control. 17

  Verification and Intelligence. 18

  Support Functions. 20

IV. ACDA External Research Program 22

V. Obligations by Object Class. 23

VI. Budget Request by Bureau and Office. 24

UNITED STATES ARMS CONTROL AND DISARMAMENT AGENCY

FY-1987 SUMMARY OF BUDGET REQUEST

ARMS CONTROL AND DISARMAMENT ACTIVITIES

	POSITIONS	AMOUNT
FY-1986 APPROPRIATION	184	$25,850,000
SEQUESTRATION UNDER P.L. 99-177		- 1,112,000
REVISED FY-1986 APPROPRIATION		$24,738,000
FY-1987 APPROPRIATION REQUEST	184	$31,000,000
INCREASE/DECREASE	0	+ 6,262,000

EXPLANATION OF REQUIREMENTS
($000)

	FY-1986	FY-1987	INCREASE OR DECREASE
PROGRAM OPERATION	$23,338	$24,065	+ 727
EXTERNAL RESEARCH	1,400	6,935	+ 5,535
	$24,738	$31,000	+ 6,262

APPROPRIATION LANGUAGE

ARMS CONTROL AND DISARMAMENT AGENCY

Federal Funds

General and special funds:

ARMS CONTROL AND DISARMAMENT ACTIVITIES

For necessary expenses, not otherwise provided for, for arms control and disarmament activities, including not to exceed [$43,000] $48,000 for official reception and representation expenses, authorized by the Act of September 26, 1961, as amended (22 U.S.C. 2551 et seq), [$24,738,000] $31,000,000.

BACKGROUND INFORMATION

Introduction

By statute, the United States Arms Control and Disarmament Agency (ACDA) must have the capacity to provide the essential scientific, economic, political, military, psychological, and technological information upon which realistic arms control and disarmament policy must be based. ACDA shall have the authority, under the direction of the President and the Secretary of State, to carry out the following primary functions:

(a) The conduct, support, and coordination of research for arms control and disarmament policy formulation;

(b) The preparation for and management of U.S. participation in international negotiations . the arms control and disarmament field;

(c) The dissemination and coordination of public information concerning arms control and disarmament; and

(d) The preparation for, operation of, or as appropriate, direction of US participation in such control systems as may become part of US arms control and disarmament activities.

FY 1987 Funding Request

The Fiscal Year 1987 budget and staffing requests of the U.S. Arms Control and Disarmament Agency are $31,000,000 and 184 permanent positions. This budget request consists of two main elements: operating expenses at a level of $24,065,000 and an external research program of $6,935,000.

The proposed FY-87 budget is $6,262,000 greater than the FY-86 funding level. This request includes $5,250,000 to cover expenses related to the Reduced Enrichment in Research and Test Reactor program being transferred from the Department of Energy. The budget estimate contains funding for continuing ACDA operations in an amount of $25,750,000 and represents an increase of $1,012,000 over FY-86 levels for these activities.

FY 1986 Funding Request

ACDA's original FY-86 appropriation had been approved in the amount of $25,850,000 with a personnel complement of 184 full-time permanent positions. However, in implementing the President's Order under the Balanced Budget and Emergency Deficit Control Act, the equivalent of a 4.3% reduction or $1,112,000 was sequestered; thus reducing ACDA's FY-86 usable appropriation to $24,738,000.

To adher to this reduced level, ACDA will administratively control all accounts to ensure that each dollar is spent in the most effective way possible. Priority will be given to the requirements in support of ACDA's negotiating groups for the Nuclear and Space Talks in Geneva, but these expenditures will also be subject to close administrative review to ensure efficient operations. However, none of the controls should impair the capabilities of these negotiating delegations.

BILATERAL NEGOTIATIONS

In his speech to the UN General Assembly in September 1984, President Reagan proposed to renew the nuclear arms control process which the Soviets, reacting to the implementation of the 1979 NATO decision on Intermediate-range Nuclear Forces (INF) missiles, had suspended in December 1983. The President's proposal led to discussion with Soviet Foreign Minister Gromyko and subsequently to a joint announcement by the United States and the Soviet Union of a decision to enter new negotiations with the objective of reaching mutually acceptable agreements on the whole range of questions concerning nuclear and space arms. In January 1985, Secretary Shultz and Foreign Minister Gromyko further agreed that the subject of the negotiations would be a complex of questions concerning space and nuclear arms, both strategic and intermediate range. The objective of the negotiations would be to work out effective agreements aimed at limiting and reducing nuclear arms and at strengthening strategic stability.

The policy decisions for these negotiations was supported by analyses from the ACDA staff; and ACDA management coordinated the logistics for the meetings.

On the basis of the agreement between the Secretary of State and the Foreign Minister of the USSR, the Nuclear and Space Talks (NST) opened in Geneva on March 12, 1985. The two delegations functioned in three negotiating sub-groups: Defense and Space (DST); Strategic Arms Reduction Talks (START); and Intermediate-range Nuclear Forces (INF). There were three rounds of talks during 1985.

The staff of the Strategic Programs Bureau and other elements of ACDA were intensively involved in preparation for, and support of, these talks during the entire year of 1985. In addition to the extensive political and technical analyses prepared by the staff in support of policy decisions, the delegation and its staff included considerable ACDA representation and organizational support. This adds considerably to the ACDA workload, especially that of the Bureau of Strategic Programs. The head negotiators for the three groups and their immediate staffs are supported by ACDA. The ACDA Assistant Director for Strategic Programs was the Deputy Head of the defense and space negotiating group and ACDA staff members served as the Executive Secretaries for the defense and space group and the group on strategic offensive nuclear weapons. ACDA also had a representative on each delegation and provided experts in support of the delegation. The Agency also chaired the interagency backstopping group which supported the U.S. Delegation.

During the first round of the NST, the United States tabled concrete proposals for significant reductions of and limitations on strategic and intermediate range nuclear arms and offered to initiate a dialogue with the Soviets on strategic defense. The Soviet side, for its part, insisted on linking progress of offensive nuclear arms reductions either in START or INF to a ban on Strategic Defense Initiative (SDI) research. The U.S. opposed making progress in any one area hostage to progress in any other area. U.S. negotiators were given a great deal of flexibility to explore avenues of possible agreement. For their side, Soviet negotiators put forward a proposal for moratoria which would apply to all their negotiating groups. The U.S. negotiators responded that these moratoria proposals were unacceptable.

During the second round, there was a somewhat greater emphasis on dialogue and each side gained a better knowledge of the other's position; however, there was little convergence of views. The third round was to be more eventful. The Soviets presented a counter-proposal with some new elements which General Secretary Gorbachev had previously enumerated publicly. Much of which was contained in the Soviet proposal represented well-known positions unacceptable to the United States.

There were, however, some "positive seeds which we wish to nurture," as the President described them. Responding to their positive elements, U.S. negotiators presented a new U.S. proposal covering all three negotiating areas, and gave further details of it in the negotiating groups during an additional week of talks. This new U.S. proposal was formulated in a short period of time due to the excellent work of the Strategic Programs Bureau staff, both in preparation of appropriate analysis and in managing the coordination of the counterproposal within the U.S. Government.

After the end of the third round of talks, President Reagan met with General Secretary Mikhail Gorbachev November 19, 20, and 21, in Geneva. ACDA Director Adelman accompanied the President. During two days of meetings, including several one-on-one exchanges, the two leaders discussed bilateral issues, regional questions, human rights, and arms control. The nuclear and space negotiations figured significantly in their review of arms control. President Reagan and General Secretary Gorbachev issued a joint statement at the conclusion of the meeting. That statement pointed to their discussion of the Geneva negotiations and registered the two leaders' agreement to accelerate the work at these negotiations, with a view to accomplishing the tasks set down in the Joint US/Soviet Agreement of January 8, 1985, namely, to prevent an arms race in space and to terminate it on earth, to limit and reduce nuclear arms and enhance strategic stability.

An additional negotiating activity is the Standing Consultative Commission (SCC), the bilateral US-USSR Commission, in which the two governments deal with matters of implementation of, and compliance with, the agreements that have come out of the SALT process. The SCC held its 28th and 29th sessions in 1985 from April 10 to June 14 and from October 9 to November 5, and will meet at least twice during 1986.

ACDA has an important role in the preparation for, and conduct of, the sessions of the SCC just as it does with the NST negotiations. ACDA professional staff members lead the interagency work on policy formulation and backstopping, and provide members and support staff for the bilateral sessions. Also, the Office of the U.S. SCC Commissioner is situated in ACDA to provide full-time continuous support for the U.S. Commissioner and the Secretariat, the leadership and nucleus of the U.S. Component of the SCC.

Beyond ACDA's role in negotiations and the day-to-day involvement in policy formulation, ACDA now has a long-term task of coming to grips with the arms control implications of potential U.S. ballistic missile defense systems and of existing and prospective Soviet systems. Dialogue within the Alliance, as well as in bilateral discussions with neutral nations and the Soviet Union, has already begun and will be actively pursued. The potential promise of ballistic missile defenses for deterrence and stability is a challenge for those tasked with crafting the future of arms control on both sides.

The proposed budget assumed that three negotiating groups and the SCC would be in Geneva about half the year. During this year, the key areas of emphasis will naturally relate to support of the ongoing NST negotiations and to support of the SCC, including ACDA's backstopping responsibilities in these two areas; to policy development for US-Soviet security relations as a whole; and to consultation on arms control issues with allies, non-aligned and NSWP countries not party to the NST. The goals of the SP Bureau are:

-- to anticipate and be in a position to develop rapid negotiating responses in all areas of the NST negotiations;

-- to identify and consider possible areas of agreement, particularly in INF and START, and take the necessary steps to enable their realization;

-- to identify possible areas where US/Soviet differences on START and INF issues may be resolved without sacrificing U.S. goals and objectives;

-- to continue to consider questions related to a possible transition to defense reliance, including work with SDIO on how arms control could best aid such a transition; development of an in-house or ACDA contractor capability for qualitative transition analysis;

-- to monitor SDI cooperation with Allies;

-- to consider steps to try to resolve some of the many compliance issues which have been raised;

-- to participate actively in the consultation process with Allies, neutrals and NSWP countries to ensure their understanding of U.S. arms control policies and initiatives.

MULTILATERAL NEGOTIATIONS

ACDA is responsible for the preparation of guidance and backstopping of U.S. Delegations to the Conference on Disarmament (CD) in Geneva; the UN General Assembly (UNGA) First Committee, which deals exclusively with disarmament and related issues; the UN Disarmament Commission (UNDC); and the NATO Disarmament Experts. ACDA provides the U.S. representative to the CD and in majority measure the staffing of the U.S. Delegation to the CD and the other fora.

The CD meets for a total of about six months annually with sessions scheduled for January-April and June-August. The UNGA First Committee meets for two months each fall and the UNDC normally meets for four weeks in the spring. The NATO Disarmament Experts meet for two days each spring and fall.

The Conference on Disarmament is the principal international forum for multilateral negotiations of arms control and disarmament agreements. In 1985 five *ad hoc* committees were established or re-established addressing the following issues: a chemical weapons convention, a radiological weapons ban and attacks on nuclear reactors and other nuclear facilities, a non-binding "Comprehensive Program on Disarmament," negative (nuclear) security assurances for non-nuclear-weapon states, and arms control for outer space. The 1986 session is working on essentially the same issues. United States participation is directed toward effective, verifiable, multilateral arms control agreements which would lower the level of armaments, decrease the potential for aggression, and achieve enhanced US and international security. These objectives are reflected in the very high priority the US places on progress in the CD toward a verifiable chemical weapons ban. ACDA provides an Ambassador to the CD (who also serves as the US Ambassador to the UNGA First Committee and to the UNDC), a permanent representative to the CD in Geneva, four delegates, and several backstopping officers. In Washington, ACDA chairs the backstopping meetings and plays the central interagency role in formulating US policy for the CD.

The negotiations on Mutual and Balanced Force Reductions (MBFR) between NATO and the Warsaw Pact continued during 1985 in Vienna. The East responded to an April, 1984, Western proposal, in February, 1985. Unfortunately, this response failed to address key long-standing Western security concerns, such as resolution of the number of Warsaw Pact troops presently stationed in Central Europe, and how best to ensure adequate verification of any agreement. In December, 1985, the West introduced a major effort aimed at breaking the logjam -- an offer to defer agreement on Pact troop levels; to take a first stage US and USSR troop reduction; and to institute a collective no-increase commitment of NATO and Pact forces in the area. The offer is conditioned on the East agreeing to reciprocal verification measures that will assure both sides that obligations undertaken are being observed. Western participants are looking forward to the Eastern reaction in 1986. ACDA provides a senior advisor and a staff officer to the US delegation in Vienna, and supports the backstopping effort in Washington with two officers.

The Conference on Confidence and Security Building Measures and Disarmament in Europe, popularly called the CDE, is the security arm of the Conference on Security and Cooperation in Europe (CSCE). Aimed at reducing the risk of military confrontation in Europe, this negotiation began in Stockholm in 1984 and continued through 1985, meeting four sessions each year. This schedule carries on in 1986, until fall, when the CDE will report its progress to its CSCE parent at a Review Conference to be held in Vienna. The Conference is now moving to its final stage, the beginning of drafting, where the participants must try to mold and shape a possible agreement. ACDA has two members on the US CDE Delegation in Stockholm, including the deputy head of the delegation. In Washington, ACDA chairs the backstopping meetings and plays a central role in other interagency bodies charged with formulating US policy for the CDE. As we transition to the CSCE Review Conference -- a conference that will likely last two years, and which will determine whether and how the CDE will continue -- ACDA will assign an additional officer to backstopping duties in Washington, and will also ensure the agency is represented in Vienna at the RevCon.

ACDA has continued to play a leading role in the interagency development of, as well as in the implementation and explanation of United States policy on a variety of other arms control issues. In this regard, ACDA is the lead agency in the formulation and negotiation in the CD of the U.S. draft convention to ban chemical weapons. In addition, there are a number of other issues under consideration at the CD, including nuclear testing, biological weapons, radiological weapons, outer space arms control, negative security assurances, a possible comprehensive program of disarmament, and others. Additionally, the United Nations General Assembly and UN Disarmament Commission address issues of nuclear arms control from various perspectives, such as nuclear weapon free zones, a nuclear freeze, nuclear non-use and no-first-use; chemical and biological weapons use; military expenditure reporting and limitation; new types of weapons of mass destruction; the "world disarmament campaign"; conventional and regional arms control; U.S. disarmament studies; and international arms control institutional arrangements.

REDUCING THE RISK OF NUCLEAR PROLIFERATION

From the inception of the nuclear weapons era, the US has sought to prevent the spread of nuclear weapons as a fundamental element of US security policy. ACDA will continue to expend a substantial portion of its financial and human resources in implementing United States' non-proliferation policy through FY 1986 and FY 1987. ACDA is involved in all stages of policymaking in this area, including efforts to promote the Treaty on the Non-Proliferation of Nuclear Weapons (NPT) and the Treaty for the Prohibition of Nuclear Weapons in Latin America (Treaty of Tlatelolco); to strengthen the International Atomic Energy Agency (IAEA) with its important safeguards system; to work toward improved safeguards and controls to deal with the likely increase in the quantity of separated plutonium; to consult with other supplier countries, including the Soviet Union, on matters of mutual interest; to negotiate new agreements for cooperation with Japan, EURATOM, and other countries; and finally to develop strategies for dealing with countries posing major challenges to non-proliferation. Efforts in these areas will continue and be increased in many cases in FY 1987.

The NPT is a cornerstone of international efforts to prevent the further spread of nuclear weapons. With nearly 130 parties, the Treaty has the widest adherence of any arms control agreement in history. Such broad acceptance reinforces the importance of non-proliferation as a norm essential to international security. Thus, the NPT will receive a major effort in FY 1986 and FY 1987 to exploit the success of the 1985 Review Conference and build toward the next Review Conference in 1990 and toward 1995, when a decision will be made by the parties whether to continue the NPT indefinitely or for a fixed period of time.

The third conference to review the implementation of the NPT was held from August 27 to September 21, in Geneva. Confounding many observers who feared that the 1985 Conference, like that of 1980, would break down in acrimonious disagreement, it adopted a consensus Final Declaration which strengthens global non-proliferation efforts.

A key component of this success, was the US preparation for and participation in three major preparatory meetings. Throughout the preparations, the US continued its program of regular consultations on Review Conference issues with Western friends and allies, the Soviet Union and its allies, and key members of the Neutral and Non-Aligned group. In these consultations, the US stressed the many benefits of adherence to the NPT, particularly its important security benefits. It is equally important to follow up on matters arising in the Conference as a whole and to press on with further strengthening the NPT and the IAEA, which is crucial to the overall non-proliferation regime.

The Director of the US Arms Control and Disarmament Agency presented the opening US address, including a statement from President Reagan. ACDA Assistant Director Lewis Dunn headed the delegation in the following weeks.

The Conference concluded successfully with adoption by consensus of a Final Declaration which unequivocally reaffirmed the parties' support for the NPT and their belief that it is essential to international peace and security. The Conference strongly endorsed the IAEA and its system of international safeguards, and affirmed that the non-proliferation and safeguards commitments of the NPT provide an essential framework for peaceful nuclear cooperation. Although there was general disappointment that there had been so little progress made toward achieving the disarmament goals of Article VI, this did not diminish the strong expressions by the Conference of support for the Treaty as a whole.

The successful conclusion of the NPT Review Conference strongly serves US non-proliferation and security interests. Momentum is with the NPT. What is necessary now is to build on its success and keep momentum behind the Treaty in the coming years.

During FY 1986, ACDA will be actively participating in the preparations for the UN Conference on the Promotion of International Cooperation in the Peaceful Uses of Nuclear Energy, known as PUNE, which will be held in March/April 1987. ACDA's Assistant Director Lewis Dunn has been designated the US coordinator.

In preparation for the PUNE Conference, the last PUNE PrepCom, which met in November 1985, had mandated that a working group (in which the US is participating) will undertake 20 days of such preparatory work prior to the seventh PrepCom which meets for two weeks in November 1986. ACDA will be promoting US objectives of seeing that a Conference balanced between political and technical interests emerges, while we continue to promote the importance of existing institutions such as the IAEA, UNDP, World Bank, FAO, WHO, etc., which are active in the peaceful uses of nuclear energy. We will be trying to ensure that existing non-proliferation institutions and principles are not damaged while seeking ways to promote cooperation with developing countries in the peaceful uses of nuclear energy. The combination of this intersessional work, the last PrepCom in November 1986, and the Conference in the spring of 1987 will result in a considerable effort by ACDA management and staff through FY 1986 and FY 1987.

Under the leadership of Mexico, the Treaty of Tlatelolco and its two Protocols were opened for signature in 1967. Twenty-three regional countries are bound by the Treaty. Under Protocol I, the United States, the United Kingdom and the Netherlands have agreed not to deploy nuclear weapons in territories in the zone for which they have jurisdiction. All five nuclear weapon states have pledged under Protocol II to respect the denuclearized status of the zone and not to use or threaten to use nuclear weapons against regional parties to the Treaty.

An organization was established to oversee implementation of the Treaty, and this organization holds a General Conference every two years. The ninth Regular General Conference of OPANAL (the Organization for the Prohibition of Nuclear Weapons in Latin America) was held in Mexico City in May 1985. ACDA Assistant Director Lewis Dunn led the US delegation.

The United States continues to believe that the Treaty of Tlatelolco holds out the best chance of promoting non-proliferation objectives in Latin America, and will work with other supporters of the Treaty to realize its full promise. ACDA will have a major role in efforts to promote this Treaty during FY 1986 and FY 1987 and at the tenth Regular General Conference of OPANAL to be held in the spring of 1987.

The IAEA, a specialized Agency of the UN, plays an important role in promoting US non-proliferation policy objectives through its dual roles of assisting developing countries in their use of the peaceful atom and of implementing an international safeguards regime responsible for verifying that nuclear facilities and materials are only being used for peaceful purposes. ACDA has been deeply involved in supporting and monitoring the implementation of IAEA technical assistance and international safeguards programs to assure their effectiveness and consistency with US non-proliferation goals and objectives. During FY 1986, ACDA will work directly with the IAEA in many ways, including participation in: the IAEA General Board meeting, the Committee on Assurances of Supply, the Committee on International Plutonium Storage, the Safeguards Advisory Group on Safeguards Implementation, the Technical Assistance Cooperation Committee, and the International Advisory Group on Spent Fuel Management. In addition, ACDA will work with other US agencies on US programs designed to support IAEA safeguards (POTAS) and technical assistance (INTLO). ACDA will continue to support these efforts in FY 1987.

In FY 1987, ACDA is requesting funding to continue the work of the Reduced Enrichment in Research and Test Reactor (RERTR) program. The Department of Energy, which has in the past funded RERTR, has decided not to include funding for RERTR in its FY 1987 budget request. The goal of this program is to reduce the amount of highly enriched uranium (HEU), a material which can be used in nuclear weapons, in international commerce.

Such material has for many years been needed to fuel certain high performance research and test reactors. Because of the important contribution the RERTR program makes to US non-proliferation interests, ACDA is committed to vigorously supporting the successful completion of this program. During FY 1986, a full core demonstration of advanced low enriched uranium (LEU) silicide fuels will be undertaken at the Oak Ridge Research Reactor. If this demonstration continues successfully, new LEU fuels will be available by 1990 for most, if not all, research reactors now requiring HEU.

During FY 1987, it is likely that the use of plutonium as a fuel for power reactors will begin to increase significantly. This will pose new challenges in implementing IAEA safeguards at new larger plutonium use facilities and physical protection measures for increased international transport. ACDA will continue to work with the IAEA and bilaterally with other nations to develop effective safeguards, physical protection and institutional measures to assure that increased plutonium use will not significantly increase the risk of proliferation.

There are several country issues that pose major challenges over the next couple years. Chief among these is the multi-year (FY 1982 to FY 1987) Security Assistance Program for Pakistan with annual appropriations by Congress. Efforts to head off the potential for nuclear proliferation in South Asia will occupy considerable resources. Such an effort is essential for US security and non-proliferation objectives in the region.

ARMS AND TECHNOLOGY TRANSFERS

ACDA, in coordination with the Departments of State and Defense, is involved on a day-to-day basis in the implementation of the President's conventional arms transfer policy, promulgated on July 8, 1981. This policy recognizes that arms transfers, judiciously used, play an important part in helping to deter aggression, in ensuring that our friends and allies are not militarily disadvantaged, and in contributing to regional stability.

A broad range of factors, including arms control factors, are given due consideration in the arms transfer decision-making process. Requests for arms are evaluated on a case-by-case basis primarily in terms of their net contribution to enhanced deterrence and defense.

ACDA has statutory responsibility in the arms transfer area. The Agency advises Executive Branch decision-makers on the extent to which proposed U.S. arms transfers or military assistance will contribute to an arms race, increase the possibility of outbreak or escalation of conflict, or prejudice the development of bilateral or multilateral arms control arrangements. ACDA provides advice on the arms control implications of about 1,400 government-to-government requests for military equipment and commercial export license applications per year, many of which involve more than one weapon to more than one country. In addition, when requested by the Congress, ACDA, in consultation with the Departments of State and Defense, prepares for the Congress evaluations of the arms control implications of particular proposed sales. The Agency also participates with other agencies in the development of the annual Executive Branch request for security assistance programs in order to insure that arms control considerations are fully taken into account in the development of these programs.

The Soviet Union has continued to jeopardize regional stability and threaten the security of independent Third World countries by providing massive amounts of arms to surrogate states. The persistence of this threat, together with the growing sophistication of modern weapons, has increased the complexity of arms transfers issues and has led to more intensive ACDA involvement in the decision-making process. These conditions are expected to persist. The Agency will be required to assess a large volume of complicated arms transfer cases, and will be extensively involved with the Departments of State and Defense and other concerned agencies in the conduct of interagency policy studies and reviews.

Together with its efforts to ensure that arms transfers are used in ways which enhance stability, ACDA seeks to assist in the effective control over those civilian exports which contain technology with potential military utility ("dual-use" technology). The Agency gives particular attention to issues raised by the possible transfer of strategic technologies to the Soviet Union and its allies, and transfers with a potential adverse effect on region stability. ACDA is represented on the Senior Interagency Group on the Transfer of Strategic Technology, chaired by the Department of State, which coordinates the efforts of some 18 agencies to tighten controls on the transfer of militarily relevant technologies and equipment to potential adversaries.

As a result of intensified Soviet efforts to acquire Western technology and the rapid advances in militarily-useful technology, ACDA will be required to consider increasingly complex technology transfer policy issues in the future. The Agency will be devoting greater attention to the transfer of civil space-related technology to ensure that such technology is used only for peaceful purposes. This work complements ACDA's nuclear non-proliferation activities.

DEFENSE, ECONOMIC ANALYSES AND ARMS CONTROL

The national security implications of arms control concepts and proposals on military strategies and force postures are assessed by civilian and military staff members of the Defense Programs and Analysis Division. This Division also conducts analyses of US defense policies, programs and technologies, and of economic issues as they relate to arms control.

The Executive Branch has been required by law, since 1975, to submit arms control impact statements to Congress with requests for authorization or appropriations for certain defense, technology, and nuclear programs. This Division is responsible for preparation of these interagency-agreed impact statements. The statements analyze the implications of these programs for arms control agreements, policy, and negotiations. The FY 1987 ACIS submission will include an arms control policy statement and six arms control impact analyses covering ICBMs, nuclear submarines and sea-launched ballistic missiles, the strategic defense initiative, space defense, chemical weapons, airborne strategic offensive systems, and an abbreviated list of other significant programs.

The Division has responsibility for preparing the ACDA annual report. The Division's knowledge and experience are also used in ACDA's preparation for arms control negotiations and treaty reviews. Division representatives participate in Agency and interagency working groups on space, missile technology transfers, the Soviet economy, the economic impact of US defense and arms transfers activities, and in UN expert study groups. The Division also serves the Agency in initiating, participating in and providing support for operational activities related to Antarctic inspections. During FY 1986, an Antarctic inspection was conducted. The US Observer Team visited foreign research sites in the Palmer Peninsula area.

An annual statistical compilation, World Military Expenditures and Arms Transfers (WMEAT), is prepared by the Division. This publication is internationally recognized as an authoritative source which provides military and economic statistical data on the size, trends and distribution of global military expenditures and the world's arms trade. This information is presented for each of 145 individual states, for alliances and groups of countries, and for the world, over a ten-year period. Analyses are provided on the implications and the trends in these data, and related essays by distinguished authors are also included. The next edition is planned to be published in the fall of 1986.

VERIFICATION AND INTELLIGENCE

The Bureau of Verification and Intelligence is responsible for policy formulation and analysis and other studies dealing with the verifiability of provisions of current and projected arms control agreements. The Bureau also provides operations analysis, intelligence, and computer support for all ACDA's activities. The Bureau is divided into three divisions: the Verification Division which deals with verification and compliance issues; the Operations Analysis Division which performs analytical studies and provides computer support; and the Intelligence Division which performs intelligence studies and provides ACDA with necessary intelligence information.

The Bureau plans, organizes and supervises studies and policy papers prepared within the Agency and reviews those prepared by other organizations dealing with the verifiability of provisions of current and projected arms control agreements; provides for the Director's use the assessments of verifiability and other information called for in the Arms Control and Disarmament Act (as amended); prepares analyses of information pertaining to compliance by other states with existing arms control agreements to which the U.S. is party; makes assessments of possible new systems, devices, and capabilities for verification; conducts liaison with intelligence and scientific agencies concerned with systems, techniques, and instruments useful for verification; makes arrangements for and participates in discussions of U.S. and international bodies involved in the verification of and compliance with arms control agreements; and provides intelligence information pertinent to the planning for arms control discussions, the conduct of negotiations, and the assessment of compliance.

The Bureau had a leading role within the Government in the development of the statutorily required arms control compliance reports which the President forwarded to the Congress. Three such reports have been forwarded, the first in January 1984, the second in February 1985, and the third in December 1985.

The Bureau is currently completing a number of verification studies particularly in support of the START and INF negotiations.

Given the critical importance of verification and compliance in November 1982, the President established a high-level committee for oversight of compliance with existing arms control agreements and for assuring the verifiability of agreements being negotiated. The Assistant Director for Verification and Intelligence is a member of the Arms Control Verification Committee (chaired by the Assistant to the President for National Security Affairs) and Co-chairman of the Analysis Group under this committee. This analysis group has been responsible for the preparation and interagency coordination of the three Presidential Compliance Reports mentioned above.

The Bureau is also responsible for storing and controlling the handling of all documents that contain special intelligence material, for assisting Agency personnel in obtaining the necessary access to sensitive compartmented information, and for disseminating and enforcing all regulations that pertain to discussions, visits, and other exchanges of information that involve special intelligence data. In addition, the Bureau is responsible for the Agency's computer operations. Numerous computer programs are used by the staff in support of the Agency's work. Of particular importance are a number of information retrieval systems which permit the rapid retrieval of the negotiation records and position papers and background studies.

SUPPORT FUNCTIONS

The Agency's support functions including those for international negotiations are provided by the offices of Administration, the General Counsel, Congressional Affairs, and Public Affairs.

The Agency has primary support responsibility for delegations involved with bilateral negotiations. As of January 1985, the United States and the Soviet Union have held four sessions addressing three negotiating areas; defense and space arms; strategic nuclear arms; and intermediate-range nuclear arms. The Agency also provided support for the President's Summit Visit with General Secretary Gorbachev in November.

ACDA also has a secondary role in assisting multilateral delegations who receive their principal administrative support from the Department of State. These include the Conference on Disarmament (CD) and the Conference on Confidence and Security Building Measures and Disarmament in Europe (CDE), which is the security arm of the Conference on Security and Cooperation in Europe (CSCE).

The Office of Administration is responsible for providing administrative support needed by the various arms control delegations, as well as additional backstopping capabilities in Washington. The office accomplishes its major objectives through its Budget and Accounting, Travel, Security, Personnel, Contract, Communications and General Services staffs.

The Office of the General Counsel is responsible for all matters of international and domestic law relevant to the Agency's work. The General Counsel, assisted by other ACDA lawyers, serves as Legal Adviser on the Nuclear and Space Talks Delegation, at multilateral negotiating fora, at conferences reviewing past arms control agreements, and at sessions of the Standing Consultative Commission. Legal responsibilities thus extend to questions of treaty drafting, negotiation, implementation, interpretation, ratification and revision. The office also has responsibility for Agency legislative programs, liaison with OMB's Legislative Reference Division, and legal issues in the areas of personnel, ethics, security, patents, contracts, procurement, and other administrative matters.

The Office of Congressional Affairs has the primary responsibility for Congressional liaison. Congressional liaison covers briefings, consultations, hearings, legislative inquiries, visits by Members of Congress to our negotiating fora, and other matters such as the status of proposed and existing arms control agreements. Communication between the Agency and Congressional committees, staff and Members, formal and informal, is designed to keep Congress informed of our arms control efforts and obtain for ACDA Congressional insights and suggestions.

The Office of Public Affairs is responsible for carrying out the mandate of the Arms Control and Disarmament Act which requires ACDA to prepare and disseminate public information concerning arms control and disarmament policies and issues. This office also acts as liaison with national and international media, provides support for and liaison with the national security interagency public diplomacy group, and coordinates ACDA's public education program of speaking engagements, seminars and conferences.

ACDA EXTERNAL RESEARCH PROGRAM - FY-87

The ACDA FY-87 external research program has been planned to support the activities of principal line bureaus within the limits set by the availability of financial resources. The emphasis will be in support of nuclear safeguards, non-proliferation, verification and the defense and space arms, strategic nuclear arms, and intermediate-range nuclear arms negotiations. The following is a tabulation of ACDA's FY-86 and FY-87 external research for ongoing ACDA programs by bureau.

	FY-86	FY-87
Director's Reserve	$ 380,000	$ 460,000
MA	165,000	200,000
NWC	375,000	450,000
SP	225,000	275,000
VI	255,000	300,000
TOTAL	$1,400,000	$1,685,000

In addition to the above FY-87 funds, $5,250,000 has been budgeted for the transfer of external research related to the RERTR program from DOE.

The Director's reserve is used primarily for use in backstopping the NST Delegation and quick turn around analysis for priority projects that are difficult to predict in advance.

The external research programs of the Multilateral Affairs Bureau and the Strategic Programs Bureau are conducted to support the defense and space arms, strategic nuclear arms, and intermediate-range nuclear arms delegations, as well as, the SCC, MBFR, and other negotiations, and is expected to be used for the most part for verification and monitoring projects. The projects of the Verification and Intelligence Bureau also deal with verification of agreements now being negotiated. The NWC Bureau uses its external research funds for studies and analyses to support the Bureau's non-proliferation and safeguards work.

UNITED STATES ARMS CONTROL AND DISARMAMENT AGENCY
OBLIGATIONS BY OBJECT CLASS
($000)

	FY-86	FY-87	CHANGE +/-
PERSONNEL COMPENSATION			
FULL-TIME PERMANENT	$7,560	$7,660	+100
OTHER THAN FULL-TIME PERMANENT	380	380	-
CONSULTANTS, ETC.	263	263	-
VISITING SCHOLARS (FOSTER FELLOWS)	300	300	-
REIMBURSABLE DETAILS			
STATE DEPARTMENT	1,645	1,745	+100
MILITARY	1,664	1,664	-
OVER-TIME AND HOLIDAY PAY	150	150	-
TERMINAL LEAVE	50	50	-
TOTAL PERSONNEL COMPENSATION	$12,012	$12,212	+200
BENEFITS	$1,044	$1,044	-
TOTAL PERSONNEL COMPENSATION & BENEFITS	$13,056	$13,256	+200
OTHER OBLIGATIONS			
TRAVEL, PER DIEM & TRANSPORTATION	$2,029	$2,376	+347
RENTS, COMMUNICATIONS & UTILITIES	559	980	+421
PRINTING & REPRODUCTION	12	13	+1
OTHER SERVICES	8,795	14,076	+5,281
SUPPLIES AND EQUIPMENT	287	299	+12
TOTAL OTHER OBLIGATIONS	$11,682	$17,744	+6,062
TOTAL OBLIGATIONS	$24,738	$31,000	+6,262

Opening Comments

Mr. **Adelman**. Thank you, Mr. Chairman.

Mr. **Carr**. Do you have a statement you would like to present?

Mr. **Adelman**. I have a statement that I would like to submit for the record. And if I could just spend a few moments just summarizing some of the high points, I would appreciate the opportunity.

Mr. **Carr** You may proceed.

Mr. **Adelman**. Let me say that the budget justification is provided. And with me is Bill Montgomery, the head of our Administrative Office, who will be happy to answer and help me answer detailed questions on the budget.

Let me say that when I came to this job three years ago in ACDA, the President had promised to strengthen the organization, and I had promised this Subcommittee to strengthen the organization. I think in those three years we have done a great deal to do that.

We have filled the key positions in ACDA, and that were empty at the time. We have upgraded those positions to make them equal and level to other agencies.

In those three years, there has been an increase of personnel in terms of the full-time permanent positions of almost 20 percent. There has been a funding increase of some 61 percent. And there has been, I believe, a good reinvigoration of the agency across the board, and very much to the benefit of arms control and to the durability of the agency.

As you know, Mr. Chairman, we have just resumed a year ago our talks with the Soviets. This was happening about the same time as I came here. And we have a good deal of our budget goes to backstop and to support those negotiations.

We have chaired the one interagency group established over the last three years in defense and space. Ambassador Hank Cooper, who used to be in charge of the strategic programs, is now the number two to Max Kampelman in the defense and space area.

I can run through some of the negotiations for you, but I would rather leave that to the question period. Let me just say that I think it is awfully important on this, our 25th anniversary of the Arms Control and Disarmament Agency, that we think about ways to strengthen the agency, and to strenthen our mission of getting good arms control and realistic arms control, and arms control that really does help the security of the country and of our friends and allies overseas. And that is our dedication, and that is what we are working for.

Thank you, Mr. Chairman.

[Statement follows:]

STATEMENT
OF
KENNETH L. ADELMAN
DIRECTOR
U.S. ARMS CONTROL AND DISARMAMENT AGENCY

BEFORE THE
SUBCOMMITTEE ON COMMERCE, JUSTICE, STATE,
THE JUDICIARY AND RELATED AGENCIES
HOUSE COMMITTEE ON APPROPRIATIONS

FEBRUARY 27, 1986

Mr. Chairman, it is once again a privilege to appear before you and the Appropriations Subcommittee. We look forward to working with you and your distinguished colleagues. We appreciate the strong interest in ACDA and the support which this committee consistently demonstrates for ACDA.

The President's FY-87 budget request for ACDA includes $25,750,000 for continuing ACDA programs and $5,250,000 for the Reduced Enrichment in Research and Test Reactor(RERTR) program for a total of $31,000,000. This is at a time when our principal Geneva negotiations and other talks with the Soviets are presently in progress. As you know, the Geneva Nuclear and Space Talks (NST) have been underway with an expanded scope since last March. The increased support necessary for this level of activity is reflected in this budget request.

Mr. Chairman, three years ago when I was sworn in, President Reagan made clear his intention to strengthen ACDA. When I appeared before this committee for the first time, I pledged "to invigorate ACDA to the fullest of my abilities." Today I would like to report to you on follow through.

o We have filled key positions in ACDA and, with Congress, have succeeded in getting key positions upgraded to appropriate levels commensurate with other agencies;

- o ACDA's full-time permanent position ceiling has gone from 154 in 1983 to our present level of 184, an increase of 19.5%;
- o ACDA's budget has kept pace with our growing needs. Today's funding request reflects a 60.9% increase over FY-83, reflecting the importance of ACDA in the arms control process and the President's commitment to it;
- o This past year alone I have had 16 meetings with the President and 45 meetings overall in the White House.

Before we begin detailed discussions of ACDA's requirements, I would like to review some recent developments in our arms control efforts.

When I appeared before you last April, we had just resumed our discussions with the Soviets on limitations of strategic and intermediate-range nuclear arms and on defense and space issues in the NST. These negotiations, headed by Ambassador Kampelman, are now nearing the end of the fourth round. The ACDA staff has been, and will continue to be, intensively involved in both the preparation for and support of these talks. The ACDA staff prepares and coordinates extensive political, technical and legal analyses for policy decisions related to these negotiations. ACDA also has representatives on the Delegation, as well as providing organizational and logistic assistance both in Washington and in Geneva.

The head negotiators for the three groups are part of ACDA. Dr. Henry Cooper, my former Assistant Director of Strategic Programs, now serves as the Deputy Head of the Defense and Space negotiating group and remains part of ACDA. In addition, ACDA chairs the interagency group on Defense and Space, and the interagency backstopping support for the U.S. Delegation.

The NST negotiating activities involve a tremendous workload across many offices, but especially for the Bureau of Strategic Programs. Mr. Michael Mobbs has recently been confirmed as my new Assistant Director for Strategic Programs and has already contributed greatly in this important job.

During the first round of the NST, both sides laid out their views on what needs to be resolved to meet the objectives agreed upon in January 1985. We tabled concrete proposals for significantly reducing both strategic and intermediate-range nuclear arms and sought to initiate a dialogue with the Soviets on defense and space issues. The President has given our negotiators a great deal of flexibility to explore avenues of possible agreement.

The Soviet side insisted on linking progress -- or even detailed discussion -- of offensive nuclear arms reductions, either in START or INF, to a ban on our Strategic Defense Initiative (SDI) research. That position, they know, is clearly unacceptable for the U.S. Research, fully consistent with the ABM treaty, needs to go forward and should not be limited in order to help move us nearer the President's objective of greatly reducing and eventually eliminating nuclear weapons.

We have, of course, consistently opposed making progress in any one area hostage to progress in any other area. Soviet negotiators also put forward a proposal for moratoria which would apply to all

UNITED STATES ARMS CONTROL AND DISARMAMENT AGENCY

FY-1987

($000)

	D	MA	NWC	SP	VI	ADMIN	GC	CA	PA	TOTALS
PROGRAM OPERATIONS	908	1,151	700	5,808	637	1,129	158	77	241	10,809
PERSONNEL COMPENSATION	3,062	1,601	2,412	1,772	1,313	1,635	550	258	653	13,256
EXTERNAL RESEARCH	460	200	5,700*	275	300	-	-	-	-	6,935
TOTALS	4,430	2,952	8,812	7,855	2,250	2,764	708	335	894	31,000

* includes $5,250 for the RERTR program

areas. We responded as to why these moratoria were not productive for progress in arms control.

During the second round there was more constructive dialogue, but little convergence of views. The third round, however, was more eventful. The Soviet Union made counter-proposals to our concrete arms reduction positions. Those counter-proposals contained a few positive elements, but also remained tremendously one-sided in several key areas. The Soviets even tabled positions that they had long abandoned in earlier SALT negotiations.

To move the negotiations forward, the President made a fresh offer. It included proposals on how to cut in half the offensive nuclear arsenals of both sides in an appropriate and equitable way and on an interim limitation on intermediate-range nuclear arms.

Our proposal takes account of expressed Soviet concerns and builds on the common elements in our respective positions. It sought: deep cuts; no first-strike advantage; continuing defensive research -- because defense is much safer than offense; and no cheating. Our proposal, if accepted, would result in the most dramatic cuts in offensive arms ever achieved.

With the fresh U.S. offer on the table and the talks in recess, President Reagan met with General Secretary Gorbachev November 19 - 21 in Geneva. I accompanied the President to Geneva. During two days of meetings, including several one-on-one exchanges, the two leaders discussed bilateral issues, regional questions, human rights, and arms control.

The Nuclear and Space Talks figured significantly in their review of arms control. At the end of the meeting, President Reagan and General Secretary Gorbachev made a commitment to accelerate Soviet-American arms reduction negotiations where there is common ground. Specifically, they agreed to the principle of 50% reductions, appropriately applied, in nuclear offensive arsenals, and to seek an interim agreement on limiting intermediate-range missile systems. The current round of talks has made some progress toward achieving these mutually beneficial objectives.

General Secretary Gorbachev's January 15 proposal contains much that is old and unacceptable, but also a bit of movement. This is worth exploring to see whether the Soviets are sincerely interested in making progress in arms control. Regrettably, despite its apparent breadth, the proposal did not move previous Soviet positions in strategic or defense and space areas.

Just recently the President, after full consultation with U.S. Allies and friends, has responded to General Secretary Gorbachev's arms control proposals of January 15. The President urged that progress be made across the board in key arms control fora as well as other areas, like regional issues and human rights.

The area where immediate progress holds the most promise is in INF. This week our negotiators in Geneva have tabled a new concrete plan calling for the elimination of U.S. Pershing II, ground-launched cruise missiles, and Soviet SS-20 missiles not only in Europe as the Soviets have proposed, but in Asia as well, with all such missiles to be removed from the face of the earth by the end of this decade.

Our negotiators have been instructed to press ahead in laying out the details of our position, in seeking Soviet responses, and in expanding common ground.

- In START, we continue to seek 50% reductions in the strategic nuclear arsenals of both the U.S. and Soviet Union, in a balanced and stabilizing way that would reduce the risk of war and the capability to conduct a first strike.
- In INF, we seek the elimination of the entire category of LRINF missile systems by the end of the decade, as indicated in our newest proposal. Nevertheless, if this is not acceptable to the Soviet Union, we remain prepared to work out an interim agreement as outlined just recently in our proposal of last November, based on the principle of U.S./Soviet equality, to significantly reduce LRINF missiles on a global basis.
- In the Defense and Space forum, we continue to seek to expand our dialogue with the Soviets concerning the offense-defense relationship so that both sides can move to greater reliance on defenses in the future, should that prove feasible, in a way that further reduces the nuclear threat.

We are also exploring our new "open laboratory" proposal, calling for reciprocal visits to laboratories engaged in strategic defense research.

Mr. Chairman, the U.S. side is ready for tough, honest bargaining. The challenge is formidable, but our negotiators have the flexibility to explore any reasonable avenue for agreement.

As the President has said, we are more interested in results than in methods of reaching them. If the Soviets approach the talks in a similar spirit, the prospects for progress will be greatly increased.

Our two countries have it within our power to make 1986 a year of genuine progress in arms control. The door is open, we hope the Soviets will walk through it. Fair, equitable and verifiable reductions of nuclear weapons will serve Soviet and American interests, and that of all humanity. It is a noble goal, and an awesome responsibility.

Besides ACDA's role in these negotiations and in policy formulation, we have a long-term task of analyzing questions related to the accomplishment of a stable transition to strategic defenses, should the United States ultimately conclude that moving to a greater reliance on such defenses is both achievable and desirable within the criteria the President has laid down. Dialogues with our Allies, the Soviet Union and others have already begun and will be actively pursued.

The potential impact of strategic defenses on deterrence and stability is both a challenge and a promise for those tasked with crafting the future of arms control on both sides, and it lies at the heart of ACDA's mission. Effective defenses, should they prove feasible, can not only be compatible with the control of offensive nuclear arms, but can indeed help to achieve substantial reductions in those arms allowing the United States and the Soviet Union to reduce in a safe and stable way their reliance on the threat of annihilation for deterrence.

In addition to NST, ACDA supports the Standing Consultative Commission (SCC), the bilateral US-USSR Commission designed to deal with implementation and compliance issues arising from the SALT agreements. The SCC held its 28th and 29th sessions during 1985, each lasting about two months, and will meet at least twice during 1986. Reporting on the proceedings of the SCC, as you know, is provided to Committees of Congress in classified form, consistent with the SCC's principle of confidentiality. Soviet non-compliance issues, however, are discussed and analysed in the President's annual report to the Congress.

ACDA has an important role in the preparation for and conduct of the SCC just as it does with the NST. ACDA professional staff members lead the interagency work on policy formulation and backstopping, and provide members and support staff for the bilateral sessions. Also, the office of the U.S. SCC Commissioner is organized in ACDA to provide full-time continuous support for the U.S. Commissioner and the Secretariat, the leadership and nucleus of the U.S. Component of the SCC.

In the critical area of compliance, Dr. Manfred Eimer, ACDA's Assistant Director for the Verification and Intelligence Bureau, co-chairs the Arms Control Verification Committee Analysis Group which prepared the recent reports to Congress on Soviet non-compliance with existing arms control agreements. Thus far, three Presidential reports on Soviet non-compliance have been forwarded to Congress. Classified and unclassified versions of these reports were sent to Congress in January 1984, February 1985, and December 1985.

From an arms control point of view, non-compliance is a deeply troubling concern. We cannot be serious about arms control if we are not equally serious about compliance. If we are to achieve true reductions and have confidence in the results of the negotiations, we must be confident that the Soviets will abide by their commitments. We must also keep in mind that, in addition to the detected violations, there has been an increase in Soviet efforts to conceal, cover, and deny the United States information that is needed to assess activities related to arms control.

While we are continuing to monitor Soviet activities related to current treaties carefully, we are also conducting a number of studies to improve the verification of future agreements. These studies have been key inputs in the development of the verification measures for treaties in START and INF. ACDA is working with other agencies on incorporating these measures into draft treaties to reduce the verification uncertainties in the future.

In the multilateral affairs area of arms control, ACDA heads the U.S. delegation to the 40-nation Conference on Disarmament (CD) in Geneva and chairs the Interagency Group which provides policy guidance to the U.S. delegations. ACDA also heads the U.S. delegations to the U.N. Disarmament Commission, to the UNGA First Committee which treats arms control issues, and to the NATO Disarmament Experts which meets twice a year in Brussels. The U.S. Deputy Representative to the Conference on Confidence and Security Building Measures and Disarmament in Europe (CDE) is an ACDA official.

ACDA plays a key role in the negotiations in the CD on a comprehensive chemical weapons ban and in the related bilateral discussions with the Soviet Union. In addition, ACDA has been active in work with interested Allies on halting the dangerous spread of chemical weapons as we seek to conclude an effective comprehensive ban. In accordance with an agreement between the United States and the Soviet Union at the summit, bilateral discussions on chemical weapons proliferation have been proposed for next month.

ACDA also has the lead in preparing for the Biological and Toxin Weapons Convention Review Conference which is scheduled in the fall of 1986.

ACDA plays an important supportive role in implementing U.S. policy to prevent the spread of nuclear explosives to other countries and in strengthening the Treaty on the Non-proliferation of Nuclear Weapons. ACDA was the lead agency in the Executive Branch for the Nuclear Non-Proliferation Treaty Review Conference. Dr. Lewis Dunn, my Assistant Director for Nuclear and Weapons Control, led the U.S. delegation at the September 1985 NPT Review Conference.

The 1985 NPT Conference concluded successfully with the adoption by consensus of a Final Declaration which reaffirmed the parties' unequivocal support for the NPT and their belief that it is essential for international peace and security. The Conference affirmed that the non-proliferation and safeguards commitments of the NPT provide an essential framework for peaceful nuclear cooperation, and strongly endorsed the International Atomic Energy Agency and its system of international safeguards. The outcome of the 1985 NPT Review Conference strongly supports

U.S. non-proliferation and security objectives by underscoring the vitality of the NPT, and reinforcing the overall norm of non-proliferation. This outcome will support our non-proliferation efforts in the coming years.

In FY-87, ACDA is requesting funding to continue the important work of the Reduced Enrichment in Research & Test Reactor (RERTR) program. This program has the goal of developing new fuels for research and test reactors which will substantially reduce the requirements for international commerce in highly enriched uranium. Reducing the availability of such weapon-usable material is of vital importance to U.S. non-proliferation policy goals. While DOE operates this program, it furthers an international arms control and non-proliferation objective which fits within ACDA's overall mission.

As you are probably aware, ACDA is congressionally mandated to provide information on arms control to the public. It does so by arranging for senior ACDA officials to speak before public groups; by scheduling local, national and international interviews of ACDA officials by press, television and radio representatives; as well as responding to thousands of public and news media inquires.

This year, guided by my new Director of Public Affairs, Sigmund Cohen, we are intensifying our public information efforts, focusing in part on ACDA's 25th anniversary. We are developing significant out-reach programs to the American people to encourage greater public understanding of and participation in the arms control process. We are instituting new programs designed for secondary schools and universities, for publication in educational journals and for presentation to a variety of groups across the country. Our efforts will enhance ACDA's role as an effective and industrious advocate of arms control over the last quarter century.

These activities and many others are described in greater detail in our Congressional Presentation Document.

In addition to this work, we are continuing the implementation of our classified computer system. This system is available to and provides support for the entire Agency. Of particular importance are a number of systems to permit the rapid retrieval of the negotiation records, position papers, and background studies. We are currently planning to add a seismic data base to the computer which will permit us to do further studies related to verifying nuclear test limits.

We also have underway a program to update our office equipment capability. Modern word processor and personal computer equipment will be installed for the decentralized use of our bureaus and offices with networking features to communicate electronically on a secure basis. This new office automation system will significantly enhance the capacity and output of our small staff.

Mr. Chairman, at this time I would like to submit to the Subcommittee ACDA's FY-87 appropriation request.

Last fall, when we began the FY-87 budget process with OMB, we worked to determine the priority for ACDA's mission, competing with other Agencies for funding within the framework of the

President's balanced budget initiative. The result was a positive endorsement of ACDA's role in the arms control process from OMB and the Administration. Consequently, we were able to obtain approval for our current budget request.

Included in our request is $48,000 for representational funds. This is an increase of $5,000 over the FY-86 level. These funds are used primarily for informal contacts with representatives of foreign countries both here and overseas. The bulk of these expenditures are for the work of our delegations in Geneva, Vienna and Stockholm. Our Ambassadors in Geneva are strongly of the opinion that the additional face-to-face meetings with the Soviets, which these resources permit, are extremely valuable to their work by providing a less rigid atmosphere than that of the formal plenary meeting process.

As you know, 50 percent of ACDA's budget goes for salary and benefits. Our FY-87 request makes provisions for a total of 265 positions of which 208 are either full-time permanent or temporary ACDA staff and 57 are reimbursable positions with personnel from other agencies, primarily the State Department and Department of Defense. Other major expenditure categories are support services, which we receive from other agencies and which we provide to the delegations through the U.S. Mission Geneva, and overseas travel.

As negotiations have progressed in Geneva, we have looked closely at the physical facilities that are needed to adequately house the delegations and provide for adequate security of the staff and their working environment. We plan to move the delegations handling our bilateral negotiations with the Soviets to the U.S. Mission building this spring to better meet their needs. This, of course, will result in some additional expense which we had not foreseen last year, but we expect this cost can be covered within our existing budget plan.

A longer-term solution to the requirements of our arms control efforts in Geneva is being addressed by a joint ACDA-Department of State effort to construct a new dedicated building on the grounds of the U.S. Mission. Funding for this project has been requested by State and the cost of construction is estimated at $56 million. Our schedule calls for ground breaking this summer with completion during the summer of 1988. Detailed plans are now well established for this very important facility and Mr. Montgomery has just returned from Geneva where he and the Foreign Building Operations staff presented final specifications to our Ambassadors there. The completion of this new building should greatly improve the working conditions of the delegations and meet what are unfortunately ever increasing security considerations.

As a result of the Balanced Budget and Emergency Deficit Control Act, the Gramm-Rudman-Hollings legislation, ACDA has sequestered 4.3% of its FY-86 appropriation of $25,850,000 for an effective budget reduction of $1,112,000. We plan to meet this spending target through tightening our administrative controls across the board, so that no single activity will be severely effected. We are giving priority to the needs of Geneva delegations, whose work should not be adversely effected by these funding reductions. However, we will also monitor these accounts closely to insure that all expenditures are prudently made.

Our FY-87 request for continuing ACDA programs is higher than the FY-86 Gramm-Rudman-Hollings level, but less than the FY-86 appropriation as passed by the Congress. In light of the amount of negotiating activity with the Soviets and other countries and the other programs which ACDA is mandated to carry out, I believe that this level of funding is essential to our Agency's mission.

I ask for your support, Mr. Chairman, in obtaining Congressional approval for ACDA's FY-87 appropriation request. I, my staff and the members of our Geneva delegations look forward to working with this Committee and with the Congressional Arms Control Observer Group on the crucial and important arms control issues which we face today.

Mr. **Carr**. Thank you, Mr. Adelman.

COMPARISON OF FISCAL YEARS 1986 AND 1987 FUNDING LEVELS

Concerning your fiscal year 1986 activities, just how are you managing to sustain a reduction of $1.112 million as required by Gramm-Rudman?

Mr. **Adelman**. What we have been doing is taking little bits from hither and thither so that it will not impact on one particular area. And we have been doing savings in various areas.

We have in the past given some money back to the Treasury at the end of year, but not all that much. But we have tried to be very careful with our expenditures and, this year, we are trimming back on things.

Mr. **Carr**. Could we have a list of what you are trimming back on for the record?

Mr. **Adelman**. Certainly.

[Information follows:]

Question. Concerning your fiscal year 1986 activities, just how are you managing to sustain a reduction of $1.112 million as required by Gramm-Rudman?

Answer. ACDA will sustain this reduction through tighter administrative controls and minor reductions in support and service agreements as well as research. ACDA will give priority to expenses for the Geneva negotiations but will control all accounts to ensure that each dollar is spent in the wisest way, even in Geneva. However, none of the controls should impair the work of the negotiations.

Mr. **Carr**. Does hither and thither, I think you said, include Geneva?

Mr. **Adelman**. We have not really cut back on activities in Geneva, have we, Bill?

Mr. **Montgomery**. No. In fact, I just came back from talking with Ambassador Kampelman about that.

What we have said is that we will give priority to any of the Geneva support requirements, even with Gramm-Rudman, so that the delegations will not be hampered in accomplishing their mission.

On the other hand, we will not exempt Geneva from very close administrative review of all of their accounts. And Ambassador Kampelman supports that. And we will watch very closely all of the dollars that are spent there to make sure they are necessary and wisely spent.

Mr. **Carr**. Have you had any discussions with the other agencies of the government that support the Geneva operation to see if they are going to take a similar view?

Mr. **Adelman**. We do most of the support. Generally they have had delegations there that have their own funds somewhat and for representational and other. But usually those agencies are so huge that this is not a significant amount of their budget. You are talking about the Defense Department, you are talking about the State Department, you are talking about the Joint Chiefs.

Mr. **Carr**. You might need a precise reason to find a way to use the Arms Control support as something that is essentially someone else's job and they may not make that contribution.

Mr. **Montgomery**. I do not detect that right now, and we are working, I think, quite cooperatively with the State Department, which is a major partner with us in the support function in Geneva. And also with the DOD who assists us from time to time with transportation requirements.

We are looking closely at all of the expenses, as I said, but I do not detect any effort on anybody's part to do other than make the operation in Geneva work effectively.

Mr. ADELMAN. If I can remind you, Mr. Chairman, the other agencies are quite eager to be involved in arms control and to keep their oar in fully in arms control. They have indicated great interest in arms control.

Therefore I think of the many things we have to fear in the world, the diminution of the participation of other agencies in the Geneva process is not one of them.

NEW ARMS CONTROL OFFICES IN GENEVA

Mr. CARR. What is the status of the building that is being contemplated for housing your activities in Geneva?

Mr. ADELMAN. We have plans drawn up. Bill was just over there and just came back a few days ago. We are trying to get the ground breaking this summer for completion by '88, if I remember correctly. And we have plans that we can go into more detail if you would like.

Mr. MONTGOMERY. The new building in Geneva will be funded by the State Department, and we support that way of doing it because obviously we do not want to get into competition with the State Department's building program. Obviously I think it would be more efficient than we starting one up.

And the funding is moving along. The plans are moving along very nicely. I believe today the architects and the State Department building people are meeting with the ones in Geneva to iron out some zoning issues that have to be resolved. But we do not believe that they are major.

Mr. CARR. Do you require any reprogrammings as a result of the FY 1986 Gramm-Rudman sequestration?

Mr. ADELMAN. I do not think so.

Mr. MONTGOMERY. No. As Mr. Adelman said, we have looked at all of our accounts for 1986, and we have identified a large number of accounts that we can make economies in and in a way so that no single one program is severely affected.

But the dollar amounts that we are talking about are not large. The largest one, I believe, is in the travel area which is $327,000. And they range everywhere from 100,000 to 327,000.

Mr. CARR. The next one you may want to provide for the record. This Committee and the Congress as a whole provided a supplemental appropriation for you in 1985 and supported your budget request for increased funds in fiscal year 1986 for various costs, such as housing, apartment rentals, and the purchase of three specially constructed automobiles, and a few other items. We would like for you to provide for the Committee how much was expended for each of those items and compare that with what your estimates are as contained in this budget request.

Mr. ADELMAN. Yes, we will be happy to do that.

[Information follows:]

Question. We would like for you to provide for the Committee how much was expended for each of those items and compare that with what your estimates are as contained in this budget request.

Answer. The following table provides an annual breakout of the Geneva arms negotiations including support costs:

GENEVA

[Dollar amounts in thousands]

	Fiscal year—		
	1985	1986	1987
Number of personnel	26	26	26
Administrative support:			
Contractual personnel	$32	$34	$35
Continental travel	120	183	190
Transportation	17	18	19
Rent and utilities	1,270	1,315	1,607
Communications	43	58	60
Contractual services	655	445	796
Supplies and equipment	473	254	263
External research	460	260	260
SAS Geneva	140	140	146
Interpreters	532	765	980
Reimbursable salaries	536	1,534	1,534
ACDA support personnel	190	217	217
Travel and per diem	696	1,211	1,262
Computer support	150	250	100
Secure ADP and communications capability	1,625	495	0
Official residence expense	105	210	210
Permanent change of station	242	288	300
Total	7,286	7,677	7,979

Mr. CARR. Now, as to fiscal year 1987, what is the status of your authorization for 1987?

FISCAL YEAR 1987 AUTHORIZATION

Mr. MONTGOMERY. The authorization for '87, we have a two-year authorization, Mr. Carr, and so the '87 authorization was passed previously, and it is the same level as the '86 authorization, which is $25,614,000.

Mr. CARR. You are requesting an increase in your representation allowance limitation from $43,000 to $48,000. This represents, over the last two years, an increase from $28,000 to $48,000.

I would like you to justify an almost 100 percent increase in reception and representation expenses over such a short period of time.

Mr. ADELMAN. We will be happy to do that.

Part of the effort we have been trying to do in Geneva is to give the Congressional representatives as they take interest in this new negotiation the opportunity at some point to mix with the U.S. delegation and with the Soviets. I know that the Senate observers come over there every round. There are Senators there quite frequently, and I think that is part of the expenditures.

I think the other part of the expenditure is because probably costs have gone up for various services.

I know, Mr. Chairman, from my experience at the United Nations, where I served, as you know, for over two years before coming to this job, the United States was certainly the most minimally funded in terms of representation of any country I saw up there. And I compared my apartment and my appropriations to the Deputy Ambassador from Bangladesh. There was no comparison. I mean he lived high on the hog compared to the allotments. And I think that was generally true for the United States mission in New York as well. I mean generally, not just at my level, but all throughout.

So I do not think that there has been excessive representation money in this business. But I think your question needs the answers about the reasons for the increase.

Mr. CARR. Well, if you could do it in some detail, the Committee would appreciate it.

[Information follows:]

Question. You are requesting an increase in your representation allowance limitation from 43,000 to 48,000. This represents, over the last two years, an increase from 28,000 to 48,000?

Answer. The basic reason for increasing representation funding needs for ACDA is the result of substantially expanded negotiations with the Soviets in Geneva. The new NST Delegation is much larger than previous delegations and has seven members of Ambassadorial rank compared to three for the previous START and INF delegations. All of the Ambassadors have considerable representation responsibilities. Ambassador Kampelman has indicated that he feels that the additional informal contact that these functions permit is extremely important to the work of the delegations.

The representation allowance is used primarily for contact with representatives of foreign governments and includes ACDA's work in Stockholm, Vienna and Geneva. In Geneva we have support responsibility for the NST Delegation, the SCC and a portion of the CD Delegation.

The $5,000 additional representation funds request for fiscal year 1987 over fiscal year 1986 represents a 12-percent increase during a period when we must adjust to decreasing purchasing power of the U.S. dollar in Switzerland. Already this year we have experienced a 28-percent decrease in the exchange rate for the dollar which will lower our ability to conduct representation activities from the previous year even at the requested funding level.

Mr. CARR. You are requesting an increase in the external research of $285,000 over the 1986 level, and of which about $80,000 of that is for the Director's reserve.

What specifically do you plan to utilize these funds for in fiscal year '87? Please provide for the record what kind of research has been conducted in '86 with the $1.4 million we have already appropriated.

Mr. ADELMAN. Fine. I think the criticism usually from Congressional individuals and committees is that we do not get enough on research, not that we give too much. What we are thinking of doing this year for increased expenditures is in some manner leaving a legacy for our 25th anniversary of looking at how arms control can be more helpful in the future, looking at accomplishments and past records of arms control, and we are in the early stages now of some kind of scholarly contribution to leave in the arms control area. And part of that Director's reserve will be used for that.

[Information follows:]

Question. You are requesting an increase in the external research of $285,000 over the 1986 level, and of which about $80,000 of that is for the Director's reserve.

What specifically do you plan to utilize these funds for in fiscal year '87. And please provide for the record what kind of research has been conducted in '86 with the 1.4 million we have already appropriated?

Answer. The estimated $80,000 for the Director's reserve will be utilized for quick turn-around projects that typically fall outside the area of a particular bureau and for general research in support of ACDA's overall mission.

Several of the FY-86 projects have been approved and released for bid: however, confidentiality prevents the wholesale listing of these projects. However, we would be glad to discuss this with your committee at your convenience.

The FY-87 projects are being prioritized at this time; thus a listing is not available.

Mr. CARR. Okay.

What is the $100,000 related to the State Department reimbursable details relate to?

Mr. ADELMAN. Is that not personnel? We get foreign service officers.

Mr. **Montgomery**. Yes. We utilize State Department detailees in addition to military to supplement our core staff. But the costs there are for the salaries of reimbursable detailees and also for some of the permanent overseas assignment expenses that relate to some of the detailees that are in Geneva right now.

We have a total of 57 detailees from both the State Department and the military.

Mr. **Carr**. Can you give us an example of what some of them are?

Mr. **Montgomery**. What some of those expenses are?

Mr. **Carr**. Yes.

Mr. **Montgomery**. Well, the biggest one, of course, is the salaries and benefits related to the individuals stationed there.

Mr. **Carr**. And what in addition to that?

Mr. **Montgomery**. When we reassign someone overseas, there are housing allowances that are required when someone is currently assigned overseas; there are some station changes.

Mr. **Carr**. What functions do these detailees do?

Mr. **Adelman**. They fit into our bureaus and our organization just as career ACDA people do. They come for two years, some of them sign up for three or four years, or stay longer. And they just fill in the bureaus. And there is no real distinction between their work and the permanent ACDA professionals' work.

Mr. **Montgomery**. Also included in that category of the State Department detailees are the appointments for the NST delegation in Geneva.

For example, Ambassador Kampelman, the expenses related to him as far as salaries and housing and so forth are included in that category. And there are 20 State Department appointed individuals who are serving on the NST delegation. And we use that mechanism for appointing them.

Mr. **Carr**. Well, maybe you could give us a list of the detailees and what they do.

Mr. **Montgomery**. We would be very happy to do that.

[Information follows:]

Question. Well, maybe you could give us a list of the detailees and what they do?

Answer. The following is a list of the State detailees that work on and provide support for the NST delegation:

Kampelman, M., Tower, J., Glitman, M., Grassle, J., Huddle, E., Kosinski, S., Kunsman, E., Markoff, M., McConnell, D., Newberg, S., Swoyer, J., and Zimmerman, W., Martin, S., Garven, K., Hillebrandt, L., Hudson, B., Busser, L., Tackett, N., Moten, L., and Warran, C.

Mr. **Carr**. You are requesting an increase of 347,000 for travel per diem and transportation. And can you tell us how you reached this estimate?

Mr. **Montgomery**. That is an estimate that is based on the—or actual experiences at the current level of activity and for the negotiating schedule as we anticipate it to be in the coming year.

Included in the travel, as indicated on the account, is also the per diem expenses for people who are in Geneva. And you know they are essentially in Geneva for six months of the year. The schedule for the negotiations is two months on, two months off approximately. So that, in addition to the airplane ticket, we have to provide for per diem expenses.

Mr. **Adelman**. Per diem is expensive there, is it not?

Mr. **Montgomery**. It is approximately $100 a day now at the current exchange rate.

And, by the way, I would like to add that we now are experiencing the effects of the declining dollar. The exchange rate for the Swiss franc a year ago was substantially higher, you know, and we are experiencing in excess of a 30 percent decrease in the buying power of a dollar in Switzerland. And, of course, all of our contracts and leases and so forth have to be paid.

Mr. **Carr**. I think the Committee would like to know on what assumptions you based your estimate and roughly how you arrived at it, if you could supply that for the record.

Mr. **Montgomery**. We will do that.

[Information follows:]

Question. You are requesting an increase of $347,000 for travel, per diem and transportation. And can you tell us how you reached this estimate?

Answer. The increases in the travel, per diem and transportation areas reflect a more accurate estimate of the cost of negotiations in Geneva. The original estimates were provided without historical data for a negotiating team of this magnitude.

Mr. **Carr**. What has caused the almost doubling of the rent over the 1986 level?

Mr. **Montgomery**. That is given to us by the GSA. The rent in our '87 budget request is the rent expense that we will experience for the space that we have now at the forecast of GSA rent.

Mr. **Adelman**. There is normal increases in that and the phone?

Mr. **Montgomery**. It is the GSA published upgrade for 1987. We cannot do anything about it.

Mr. **Smith**. Is that for space in Geneva or here?

Mr. **Montgomery**. Here.

The space in Geneva is handled in the other rent accounts, some of which are reimbursable, and some are in the Geneva accounts.

The rent for our building in Geneva at the current exchange rate is approximately $800,000 a year. And we are on year-to-year basis in the building that we rent in Geneva now so we will be able to move from it when the new building is completed.

Mr. **Smith**. How much in square feet is that?

Mr. **Montgomery**. We have about 45,000 square feet. For Geneva, that is not a bad rate.

PAST AND EXISTING ARMS CONTROL AGREEMENTS

Mr. **Carr**. Mr. Adelman, I would like to ask you a number of policy questions, and these questions may involve further research on your part. I would like it if you would just give the most detailed answer you can today and feel free to submit additional comments for the record.

Beginning with President Kennedy's Atmospheric Test Ban Treaty, the United States and the Soviet Union have signed 11 nuclear arms control agreements.

Under Johnson, there was the Outer Space Treaty and the Nonproliferation Treaty.

Under Nixon, there was a Seabed Arms Control Treaty, the ABM Treaty, the SALT I Offensive Arms Agreement, and the Threshold Test Ban Treaty.

Under the Ford Administration, there was the Vladivostok Aid Memoir, and the Peaceful Nuclear Explosions Treaty.

And under Carter there was the SALT II Agreement.

Now, considering the top officials in this Administration to have major arms control responsibility, including the President, the Vice President, Secretary Shultz, Secretary Weinberger, Assistant Secretary Perle, Ambassador Tower, Ambassador Kampelman and Ambassador Glitman and yourself.

I would like to know at the time any of these treaties were under negotiation or being debated for ratification, did any of these individuals actively support these treaties?

Mr. **Adelman**. I think that the record would show, and I know in my own case that there have been arms control agreements that I have thought against the interest of the country, and did so in a meaningful way. I think that what lies behind your question is the view that individuals at the top of this Administration have not been terribly excited about the Strategic Arms Treaties that have been done in the past. And I think that that is justified.

I think that if we testified at the time of SALT I before this panel or any other panel, and I brought SALT I there and I said, Mr. Chairman, we are having an arms control agreement here that is quite sound. Let me tell you in the next 10 years, after you approve of this, there will be an 8,000 increase in Soviet ballistic missile warheads; that the Soviets will have three—these are illustrative figures—three new ICBMs, three new types of submarines, new types of bombers. That the United States will increase markedly. That at the end of this period, we are going to find the world not like today but a world that each side has over 8,000 ballistic missile warheads, you would have said this does not sound like a very promising future.

If, at the time of SALT II, somebody had testified and told you, Mr. Carr, I want to tell you we should sign this. For the next 4 years, there is going to be an increase of 4,500 ballistic missile warheads by the Soviets under the terms of this treaty, you would not have been terribly excited about it.

I think the fact is that the argument is difficult to make today. The strategic situation is better than it was in 1969.

Well, on a Limited Test Ban Treaty, which you listed in 1963, I think that was very positive. I think the nonproliferation proceeding was very positive.

Mr. **Carr**. My level of excitement in such predictions is not really material.

I would like you to supply to the Committee any statements made in support of any of these treaties by any of the individuals that I named. Just provide the Committee with a couple of things that these people have said about each of these treaties.

Mr. **Adelman**. Well, I cannot imagine that some of those individuals, I cannot imagine Ronald Reagan, when he was in Hollywood, was asked that much about the Seabed Treaty or some of the other treaties. And in recent years that those individuals have pronounced themselves on arms control were mostly in terms of the strategic treaties.

Mr. **Carr**. If you can find something to support that these individuals that I have named have indicated support for these treaties, we would like to have that record.

Have any of the individuals that I named, top people who are responsible for arms control, have any of these individuals described or had a recent view of these treaties that is in any way positive?

Mr. **Adelman**. Oh, I have gone to the—last summer, I can speak on my own behalf. Last summer we had a Nonproliferation Treaty review conference that ACDA headed up, a government effort. I gave the major address. It was a very successful review conference, and most of my speech was dedicated to how well the Nonproliferation Treaty has worked out and how helpful it has been in the nonproliferation effort. And I mean that this is a treaty that really, I believe, has gone a long way toward increasing the international norms, the international standards against more and more countries getting nuclear weapons.

If I had to think in my nightmare that kind of worst case scenario of what the most likely use of nuclear weapons in the future would be, I would not think it would be from the United States or the Soviet Union, but from some crazy in the developing world. And I think that Nonproliferation Treaty has been quite helpful in that regard.

Mr. **Carr**. Well, similarly, while we ask you to do a little research here for us in terms of statements that these key leaders have made regarding treaties while they were under consideration, we would like to have comments such as the one you just gave an example of, of these individuals in their lock at these treaties, by hindsight perhaps.

And, similarly, I would like to ask you for the same thing relative to the Comprehensive Test Ban Treaty, the Nuclear Weapons Freeze, and the ASAT Flight Test Bans. I think that probably is the easiest one for you.

Mr. **Adelman**. Sure, because the Administration has not been favorable to those at the current conditions. And that has been an Administration policy.

Mr. **Carr**. I understand. So you probably have some policy papers you can put your hands on quite readily to supply us again from all of the individuals that I named.

Mr. **Adelman**. Sure.

[Information follows:]

Adelman Answers to Questions From House Appropriations Subcommittee

(1) Have any of the top Administration officials with arms control responsibilities made any statements in support of the arms control treaties of the last 20 years?

The officials which the President selected for positions charged with arms control responsibilities, I am sure, share his commitment to arms control. However, I think that it would be more appropriate were those officials to speak on their own behalf. As for myself, I have supported a number of arms control agreements in the past. On January 27, 1983, during my confirmation hearings for the position of the Director of ACDA, I said:

"There followed a series of institutions and of arms control measures which have been positive, which have contributed to our national security and to world stability and peace, among them the Antartic Treaty, the Limited Test Ban Treaty, hot line agreement, the Non-Proliferation Treaty, the Outer Space Treaty, the Seabeds Treaty, the ABM Treaty, and interim agreements of 1972, and the Biological Weapons Convention."

I was a critic of the SALT II Treaty but, as I indicated (again on January 27, 1983 at my confirmation hearings), it was because "the SALT II process was a process of codifying or making a treaty about increases in nuclear weapons in the world." Like the President, I would like to go further than ever before and dramatically reduce the number and destructive capability of nuclear weapons in the world. I also said, in an address to the Mid-America Committee, on May 2, 1984:

"Next year a large international conference will be held to review the implementation of the Non-Proliferation Treaty. We will work long and hard to ensure its success, to demonstrate that the treaty continues to have the support of its many adherents. The world at large can ill afford to allow this crucial arms control treaty to be eroded."

More recently, in Foreign Affairs (Winter 1984/85), I reaffirmed my belief that arms control "can best be considered one single element in a full panoply of political, economic and defense efforts." I further stated that we should expect an arms control accord "to increase strategic stability and thereby reduce the risk of war (the most vital goal of all), to reduce nuclear weapons to equal and substantially lower levels, and to be effectively verifiable." As the preceding record shows, I support arms control, but of the far-reaching kind that President Reagan advocates.

JOINT DRAFT TEXT

Mr. CARR. Now, tell us about Geneva.

In past negotiations, the first step in the negotiation has been the preparation of a joint draft text. All the negotiations have been based on it. And I read in the press that we are negotiating on three tracks in Geneva. But I wonder what we are negotiating from.

Have we prepared a joint draft text in any of these talks?

Mr. ADELMAN. We have in Start time and again come up with treaty language. And what we have done is to describe how we could see a negotiation coming out in that realm, in those realms.

So the answer to your question would be yes, there is a document entitled "Joint Draft Text." I do not know if it is joint draft text or U.S. proposed draft text or whatever, but it is treaty language, yes, sir.

Mr. CARR. Well, I am trying to get, however, to the distinction between a compendium of our proposals and to the step where both sides make a document from the positions of both sides, the proposals of both sides and enumerating those things which have been agreed upon or those things which are left to be decided.

Mr. ADELMAN. Well, I think that it is quite clear to both sides, Mr. Chairman, what the differences are in their positions. I think that that is not a function of having it done treaty text or so much as plenary statements and the differences that we talk about all day long. It is quite clear.

I can give you a ready rundown of the differences in the positions. They have something that is called a Joint Treaty Text. When you have continued differences between our positions and Soviet position, it will not help much at all, because you have basic differences.

Mr. CARR. Well, I will try to narrow my inquiry here a little bit.

It appears from what you have said, there is no joint draft text as we have come to know that mechanism.

Mr. ADELMAN. There is a U.S. draft text. We may have language in common. But the main point I am driving at is that these differences between our position and the Soviet position are real differences. And they are not differences that can be papered over.

Mr. CARR. No doubt. But if we are to sign as two individuals, if we are to sign a contract or come to an agreement, at some point we have to move beyond you stating your position and my stating my position and throwing paper at one another.

Mr. ADELMAN. Oh, absolutely.

Mr. CARR. At some point we have come to a joint document. Even though the document may contain differences which need to be negotiated out. And it appears that the sides have not come to that document yet.

Mr. ADELMAN. Let me answer that for the record because I want to see on the classification of what the papers are, if there is some paper that is a joint document that has some language that we have agreed to or not. Let me look at that.

Mr. **Carr**. Okay.

Mr. **Carr**. I would also like to have you in your research personnel give us the approximate lapsed time between the first joint draft text and the initialing of the treaty.

You could go back and get someone to, say, look at SALT II and find the date where the initial joint draft text was produced, and then compute that date in days until the initialing of the treaty. Would you do that for me, please?

Mr. **Adelman**. Yes.

[Information follows:]

INTERCONTINENTAL BALLISTIC MISSILE

Question. Has the US prepared a joint draft text in any of the negotiating fora in NST? When was the initial joint draft text produced in SALT II? And when was it initialed?

Answer. There is no joint draft text, at this point, in the Nuclear and Space Arms Talks. As for SALT II, the US and the USSR agreed to table a joint draft text on May 7, 1975. The SALT II Treaty was signed on June 18, 1979.

Mr. **Carr**. What has the Administration proposed to control Soviet ballistic missile accuracy?

Mr. **Adelman**. Accuracy has been one measure in arms control that we have not found a way to control in the arms control. The reason for this is that even though it is a very important measure, it is not a measure that can be controlled because it has to do with a lot of the technology of the tracking and targeting mechanism of the ballistic missile warheads.

So, in SALT I and SALT II, and currently I have not heard any proposals to limit accuracy.

Mr. **Carr**. Perhaps for the record you could more finely hone that statement.

It appears that you have not heard, but the question is are there any Administration proposals——

Mr. **Adelman**. No. The answer to that is no.

Mr. **Carr**. Okay.

Mr. **Adelman**. In further elaboration is I have never heard of any that have been proposed in the literature or by any of the——

Mr. **Carr**. All right. Thank you.

Are there any Administration proposals to limit the Soviet ability to attack us by surprise?

Mr. **Adelman**. I think that the general trust that we are getting at in the strategic round of trying to concentrate on the main problem, which is fixed ground base, ICBMs, would be a measure that would increase stability by giving the Soviets less incentive for a first strike against our forces. And in that sense, I think that it would get at the question of surprise because we have been doing is making a distinction between fast flying systems, like ICBMs, and slower flying systems like bombers.

So the answer to that is yes.

Mr. **Carr**. Would you give them to us in a fairly comprehensive descriptive way? That would be very helpful.

Mr. **Adelman**. Sure.

Mr. **Carr**. Has the Administration proposed anything that would lead to a warhead to silo ratio below three to one?

Mr. **Adelman**. I believe the last time I looked at that, in answer to your question, the calculations were that our counter-proposal in Start would do that. At least on the ICBM leg of the triad.

But let me get back to you on that. We did those kinds of calculations. I can tell you that our counter-proposal as of November 1st would reduce the fractionation rate, reduce the number of warheads per ICBM, which is, after all, what I was saying about stability is getting at the problem of the Soviet first strike capability.

Mr. Carr. Once again, if you can give us a little something in detail, I would appreciate it.

[Information follows:]

Question. Are there any Administration proposals to limit the Soviet ability to attack us by surprise? What is the distinction between fast-flying systems, like ICBMs, and slower-flying systems, like bombers? Has the Administration proposed anything that would lead to a warhead-to-silo ratio below three to one? What is the administration proposal to control ballistic missile accuracy?

Answer. The President proposed several confidence-building measures (CBMs) in a letter to the Soviet leadership in 1982. He proposed advance notification not only of ICBM launches but also of all launches of US and Soviet submarine-launched ballistic missiles and of intermediate-range, land-based ballistic missiles of the type under negotiation in the INF talks. Additionally, he proposed an expanded exchange of data on intermediate-range nuclear forces and strategic forces, and he extended his proposal for advance notice of major military exercises involving strategic forces. These proposals were tabled by the US in Geneva.

On May 25, 1983, President Reagan proposed three measures designed to strengthen and broaden communications between the US and the USSR. They included the upgrading of the "Hot Line" between the US and USSR (by adding a facsimile transmission capability), creating a direct government-to-government communications link below the level of Heads of Government that could be used for the rapid exchange of technical military information (thereby preventing misunderstanding), and upgrading the communications links between Washington and Moscow and each nation's embassy in the other's capital. The US and the Soviet Union began negotiations on these proposals in August 1983.

The United States and the Soviet Union formally agreed on July 17, 1984 to add a facsimile transmission capability to the direct communications link. In June 1985, a common understanding was reached between the US and the soviet Union clarifying the use of immediate notifications in connection with the "Measures Agreement." At the meeting between President Reagan and General Secretary Gorbachev in Geneva in November 1985, it was agreed by the two leaders to study the question of risk reduction centers. The process is occuring at this time.

Certain weapon systems are more destabilizing than others. Ballistic missiles, especially land-based ICBMs, are most likely to increase the incentive for a first strike during crises because of their destructive power, short flight time, accuracy, and increasingly vulnerable silo basing. Bombers, on the other hand, are fundamentally retaliatory systems; they take hours to arrive on target and face sizeable defenses whereas ballistic missiles face few defenses. Bombers can be launched on warning and then recalled; ballistic missiles cannot be recalled.

The US NST proposal calls for reductions to a limit of 4500 on reentry vehicles on ICBMs and SLBMs, which is about 50 percent below current levels, and for a 50 percent reduction in the highest overall strategic ballistic missile throw-weight of either side, in this case, from the Soviet level. Contingent upon acceptance of RV and throw-weight limits, we would accept an equal limit of 1500 on the number of long-range ALCMs carried by US and Soviet heavy bombers. This would result in reductions to a total of 6000 ballistic missile RVs and ALCMs on each side. With respect to strategic nuclear delivery vehicles, the US has proposed reductions in strategic ballistic missiles to a limit of 1250–1450.

According to the Secretary of Defense's publication, Soviet Military Power (April 1985), the Soviets have approximately 8500–9500 ballistic missile warheads, while the US has 1000 Minuteman and 26 Titan silos. Thus, at this point, there is an eight-or nine-to-one warhead to silo ratio. Under the US NST proposal, that ratio could be reduced to approximately half that ratio.

Since soviet ballistic missiles already possess the accuracy to kill hard targets, the US is trying, through the NST negotiations, to substantially reduce the threat posed to our land-based ICBM force by Soviet strategic forces by means of deep reductions. However, the US is also trying to limit further improvements to heavy missiles by proposing modernization constraints in NST.

Mr. **Carr**. And what is the Administration's arms control proposals with regard to bringing down Soviet first strike reliability?

Mr. **Adelman**. That is the objective of trying to reduce the fractionation rate and to get at weapons systems that cause the greatest problems in terms of the vulnerability of U. S. systems.

If the Soviets have a high reliability of a successful first strike, then that is obviously a dangerous situation for us to be in. If we can remove, reduce the amount of Soviet artillery, reduce the amount of Soviet heavy missiles, and reduce the fractionation rate as is our main goal in the strategic round, that would very much reduce the reliability of Soviets hitting our targets.

Mr. **Carr**. Does the Administration have any proposals to bring down Soviet first strike reliability through testing?

Mr. **Adelman**. Yes

Mr. **Carr**. Through testing restrictions is what I mean.

Mr. **Adelman**. Nuclear testing, we have taken the position that the nuclear testing, two treaties that were concluded in '74 and '75, the PNE, Peaceful Nuclear Explosions, and the Threshold Test Entry, should be improved in terms of their verification.

We have talked to the Soviets for years about getting about that business so that we can move ahead in the testing area. The Soviets have told us no.

The President, last summer, invited the Soviets unilaterally to come to our test sites to calibrate our tests. And the Soviets still have not picked up that offer. We are hoping that they do so.

Mr. **Carr**. What about testing of launch vehicles?

Mr. **Adelman**. We have in our competence building measure proposals notification on testing of ICBMs and SLBMs. And what we are trying to do is to work with the Soviets on compass billing measures for notifications of those.

Mr. **Carr**. Do the proposals contain any limits on launch tests?

Mr. **Adelman**. No.

Mr. **Carr**. Does the Administration have any proposals to control the strategic anti-submarine capability of the Soviet Union?

Mr. **Adelman**. No. And I do not believe that SALT I or SALT II had any such proposals in them as well.

Mr. **Carr**. Does the Administration's arm controls proposals propose anything to control Soviet first strike space weapon?

Mr. **Adelman**. I do not know what you mean by first strike space weapon.

Mr. **Carr**. Underlying the assumption of the question is that SDI contains within it an inherent first strike capability.

Mr. **Adelman**. You see, I do not believe that. I think that is yet to be seen.

Mr. **Carr**. Why have SDI if you are not going to be able to shoot them out of the sky?

Mr. **Adelman**. You asked about satellites.

Mr. **Carr**. Yes.

Mr. **Adelman**. The objective of SDI is a program to be able, if the research proves successful, to hit incoming ballistic missiles and before the ballistic missiles the bus and even before that in the boost phase the missiles themselves.

Mr. **Carr**. Right. In a first strike.

Mr. **Adelman**. In a Soviet strike against us.

Mr. **Carr**. But the strike against their weapons once launched is a first strike by our satellites. In other words, they do not——

Mr. **Adelman**. That is a new way of using the term "first strike." If the Soviets launch against the United States and we hit their missiles and buses and then ballistic missiles to protect the country, that is an odd definition of saying the United States is involved in a first strike.

If we did not have it, we would lose our country or a good part of our strategic assets. So I cannot see the point here. What if they used their SDI to wipe out ours? The question of survivability is one of the top priorities in the research program right now. I think it is a problem that deserves a lot of attention and resources, but I do not think that anybody right now in the early stages of the SDI program can say that the issue is hopeless.

Mr. **Carr**. Do you think arms control could make a contribution to that?

Mr. **Adelman**. I think arms control can make a contribution to strategic stability. I think if we have an arms control agreement that really reduces nuclear weapons and the capability of the Soviets to strike the United States, then a defensive system as SDI envisions will be far more effective.

Mr. **Carr**. Well, that really was not the question. The question was do you see arms control being useful in solving the problem that you alluded to in the answer that you had given before.

Mr. **Adelman**. Which problem?

Mr. **Carr**. The problem is that you have to have stability between SDI systems, and it is a technical problem that has to be looked into.

Mr. **Adelman**. I said survivability.

Mr. **Carr**. Survivabilility. Do you think arms conrol can be useful in that end of it?

Mr. **Adelman**. We are looking at survivability for SDI, and once we know more about where the research program might be heading, we will look at possibilities of arms control helping survivability. There might be areas where arms control could prove very helpful.

Mr. **Carr**. The other side is currently observing two unilateral moratoria. One is on the antisatellite tests; the other is on nuclear warhead explosions. In addition, they have in rather broad terms indicated that they would be favorably inclined to onsite inspections.

On these three points, ASAT, CTB, and onsite inspection, have you made any proposals in response?

Mr. **Adelman**. To take the last one first, we have told the Soviets for a number of years now that we would need onsite inspection to assure that the verification was effective in the arms control business. We are encouraged by the Soviet offer for onsite inspection, but let me remind you that Khrushchev made a similar offer in his speech at the United Nations in 1959. So this is not a new Soviet offer. What could be new is if the Soviets actually followed through and go from the grand speeches to the actual verification provisions that we have offered to them and proposed to them.

On the antisatellite ban, as you know well, the Soviets have made this a top priority defense and space realm. We have handed it to the Soviets, their priority in this, taking an antisatellite ban on the United States unilaterally and imposing it on our side. I think that is very unhelpful to arms control.

If we go and we remove from the table by actions of Congress what the Soviets consider their top priorities in this business, then we give them no incentives to negotiate seriously.

Mr. **Carr**. Did the administration have a response, however, to that?

Mr. **Adelman**. Yes. We opposed it.

Mr. **Carr**. Did you make any proposals in response to the Soviet suggestions on ASAT?

Mr. **Adelman**. We did talk to them about in the defense in space realm a policy that the President talked to Party Secretary Gorbachev about at length on the open laboratories to know what we were doing in the research of SDI so we could better inform each other.

We have told them on antisatellite the fact is the Soviet Unon has had an operational antisatellite capability for a good number of years and that the lack of a Soviet recent testing I do not think changes their capabilities one bit.

Mr. **Carr**. How about CTB and the proposal—did the administration make any proposals in response to Soviet suggestions on CTB?

Mr. **Adelman**. On the nuclear testing issues we have invited the Soviets twice on two different elements. One is to discuss the verification on nuclear testing, which they have refused to do; and, secondly, to visit our testing facilities so that they can calibrate our tests and we eventually can reciprocate so we can move ahead on the nuclear testing.

Mr. **Carr**. But that is the sum total of the response on that particular point.

Mr. **Adelman**. That is true.

Mr. **Carr**. I want to thank you very much for being here.

Mr. **Adelman**. Thank you.

[Questions for the record and the answers thereto follow:]

QUESTIONS SUBMITTED BY CONGRESSMAN O'BRIEN

1. Your FY 1987 request reflects an increase of $5,250,000 for expenses related to the Reduced Enrichment Research and Test Reactor (RERTR) program. This program has traditionally been within the Department of Energy budget.

a. Why is this program being transferred to ACDA?

A: DOE has requested no funds for RERTR in FY87. The RERTR program is an important element of a US non-proliferation policy objective to reduce the amount of highly enriched uranium in international commerce. Consequently, since the start of the program in 1978, ACDA has strongly supported the timely completion of the program, scheduled for 1990. ACDA has the necessary legal authority and technical capability to carry the program through to its conclusion. Thus, ACDA is requesting authorization for the RERTR program in its FY 87 budget.

b. Did DOE propose or request this transfer?

A: No

c. Will this become a permanent program within ACDA for which you will submit an annual budget request?

A: Yes, if DOE chooses not to request funding.

d. Will ACDA have management responsibility for this program or will it still be administered by DOE?

A. ACDA will transfer funds to DOE to administer RERTR through a contractual arrangement. The work statement for the contract will be mutually agreed upon by ACDA and DOE, and the day-to-day management of the technical activities to support the work statement will be the responsibility of the Argonne National Laboratory RERTR Program Director.

e. Does ACDA plan to use any of this money for personnel or administrative costs?

A. No

2. What are the objectives of this program?

A. The primary objective of RERTR is to minimize international commerce in highly enriched uranium required to fuel research and test reactors throughout the world; about 100 foreign reactors now require the export of about 700 kilograms of HEU annually. This objective is being accomplished by:

(a) Developing and demonstrating new high density low enriched uranium (LEU) fuels which can be substituted without significant economic and technical penalties for the HEU fuels now required;

(b) Developing generic data and calculational methods required to analyze the reactor engineering and safety performance characteristics of the reactors operating with the new LEU fuel;

(c) providing technical assistance and support to foreign reactor operators to analyze the effects of converting their facilities to LEU fuels.

3. Are any new activities planned for this program in FY 1987?

A. The FY 87 activities are expected to proceed according to the program schedule revised last year. We do not anticipate any new program activities.

4. What was your original request for this program as submitted to the Office of Management and Budget?

A: $5.5 million

(a) Was your request reduced?

A: Yes, by $0.250 million

(b) In your estimation, is the program underfunded or is the request sufficient to meet the requirements of the program?

A: The request is sufficient to meet the requirements of the program if DOE continues to operate the Oak Ridge Research Reactor (ORR) through December 1987.

5. Does the funding request provide for the contingency that the Oak Ridge reactor facility will be shut down as proposed by DOE?

A: No.

THURSDAY, FEBRUARY 27, 1986.

JAPAN-UNITED STATES FRIENDSHIP COMMISSION

WITNESSES

DR. W. GLENN CAMPBELL, CHAIRMAN OF THE COMMISSION
FRANK GIBNEY, COMMISSIONER
LINDLEY SLOAN, EXECUTIVE DIRECTOR
JOSEPH SCHREIBER, PROGRAM OFFICER

Mr. SMITH. Next we have the budget request for Fiscal Year 1987 activities of the Japan-United States Friendship Commission.

Here to testify for the Commission is Dr. Glenn Campbell and I understand that there are other Commissioners present, and the Executive Director Lindley Sloan.

Dr. CAMPBELL. Yes.

Mr. SMITH. Your request is for $1,550,000.

The 1986 appropriation level was $775,000 but that was reduced by the sequestration of $33,000.

At this point we will insert the justifications in the record, and you may present your statement.

[The information follows:]

JAPAN-UNITED STATES FRIENDSHIP COMMISSION

Appropriations Request and Justification

For

Fiscal Year 1987

Submitted to the United States House of Representatives
Committee on Appropriations
Subcommittee on
Commerce, Justice, State, and Judiciary

February 10, 1986

Japan-United States Friendship Commission

I. Background

In establishing the Commission in 1975, the Congress recognized the need for a specialized agency to strengthen the educational and cultural infrastructure of a unique bilateral relationship. The Congress gave the Commission the task of improving friendship and mutual understanding between the United States and Japan on a people-to-people basis, through long-term, in-depth exchange programs designed to transfer knowledge and appreciation for the accomplishments and values of each society to the other. That Japan should be the only country treated by the United States in this manner is understandable. The relationship involves the two greatest market economies and two of the most dynamic societies in the world, which compete economically, cooperate politically and in security matters, and yet are socially, linguistically and culturally remote from one another.

Education is a primary field of activity for the Commission in both countries. With a view to improving the ability of major educational institutions in each country to teach about the other, the Commission supports specialized study centers, including libraries in leading universities in both Japan and the United States. It assists universities to include specialized courses in American or Japanese Studies or to introduce specialized material on the other country into the curriculum. It funds the fellowship programs administered by major scholarly organizations for proven scholars to do research in their specialty in the opposite country. In the United States, where the need for some types of specialists to deal with Japan is particularly acute, the Commission funds programs to provide advanced Japanese language training, to increase the number of American specialists on Japan in law, journalism, and economics, and to encourage American graduate schools of business to introduce Japan-related material into their curricula.

The Commission also funds research at American and Japanese universities and research institutes on contemporary issues affecting the overall relationship between Japan and the United States, and encourages effective efforts to make the results widely available in both countries, in the belief that such efforts can do much to raise the quality of public debate and dispel potentially damaging misunderstandings and misconceptions. Recent subjects of Commission-supported research projects include (1) high-tech industries in Japan and the U.S.

(Stanford University), (2) economic-legal issues in U.S.-Japan relations (University of Michigan), (3) technology transfer from the U.S. and Japan to less-developed countries (George Washington University), (4) Japan's national security policy (Stanford University), and (5) the Japan-U.S. trade issue (Council on Religion and International Affairs).

The Commission is deeply committed to the field of public affairs/education. The Commission financed seventeen regional organizations throughout the United States, whose functions are to enhance public knowledge and understanding of current bilateral issues involving Japan, sensitize American business to opportunities in trading with Japan, encourage Japanese investment, and provide centers where Americans and resident Japanese may associate to pursue mutual interests. Most such organizations are Japan-America Societies, although there are also a number of general world affairs organizations which have a special interest in Japan. Membership includes key local business leaders, local government officials, Japanese businessmen and counselor staff, and interested private individuals. This program has been funded for the past several years partially from the Commission's appropriated funds, but primarily from a gift of $2,000,000 which the Japanese Government presented to the Commission in 1981 specifically for this program. Anticipated outlays in Fiscal Year 1986 will exhaust this gift fund.

The Commission also uses public television as a means of improving communication and public education, through aid to the production of specific programs and the sponsorship of events designed to encourage the participants from both countries to exchange TV material. Conferences and exchanges between counterpart groups of journalists, legislators, teachers and students in both countries have also played their part in the Commission's endeavors.

A mutual appreciation for cultural and artistic values is also important to understanding between nations - a precept which underlies the Commission's involvement in cultural exchanges. The Commission seeks to provide catalytic funding for worthy projects, to extend tours to additional sites, and to exchange artists or companies whose fields of endeavor and work might not otherwise become known.

The Commission believes that the broad range of experience and interests possessed by its members, and the independent status of the Commission itself have contributed greatly to the warm reception accorded the Commission's program in Japan as well as the United States. The presence on the Commission of distinguished private citizens from many fields, senior members of the Senate and the House of Representatives, and high officials of the federal agencies engaged in international affairs provides a broad forum for review of programs from many points of view and ensures that those which the Commission supports will complement but will not duplicate or compete with others. The Commission continues to maintain liaison with major Japanese and American donor organizations, both official and private, to ensure compliance with Congress' intent that Commission-funded activities be incremental to and not a substitute for existing programs in either country.

II. Fiscal Year 1986 Activities

The reduction of $775,000 from the Commission's appropriations authority was an anomaly which has crippled its efforts to train American specialists on Japan, businessmen, economists, and others to meet the challenge we are facing from Japan. Nevertheless, in accord with decisions taken at its April, 1985 policy meeting, the Commission is pursuing vigorously those programs which improve our knowledge of the Japan market and economy, and which thereby enhance American competitiveness. Such programs include, inter alia, a U.S.-Japan "High-Tech Competition" conference at the University of Santa Clara, March, 1986; a conference/seminar in St. Louis hosted by the Japan-America Society of St. Louis on Trade Opportunities between the Midwest and Japan (June 18-19, 1986); and, an analysis by the American Chamber of Commerce in Japan of "The Implementation and Effectiveness of Prime Minister Nakasone's Trade Liberalization Measures."

III. Fiscal Year 1987: Planned Activities

Given the growing importance of seeking mutually beneficial solutions to our short-term problems with Japan and the need to continue building long-lasting bridges to this important ally, the Commission seeks to pursue program activities which reach FY 1985 levels. In terms of programming philosophy, more attention and funding will be devoted to those projects which address bilateral trade and security issues as well as those which promote improved American competitiveness - in education, technology, and trade - in its dealings with Japan.

The Commission seeks to do more to illuminate issues between the U.S. and Japan and thereby assist U.S. policy-makers through its funding of policy-oriented research by American academic and research institutions. For example, a recent grant to the Council on Religion and International Affairs is assisting in a systematic sector-by-sector investigation of the underlying causes of our trade problems with Japan. Another planned effort with the Institute for Foreign Policy Analysis will analyze Japanese attitudes toward the Strategic Defense Initiative (SDI).

In the field of public affairs/education, the Commission's largest single program has involved assistance to a series of regional organizations, mainly Japan-America societies, whose purpose it is to make programming available to the general public on Japan-related subjects. Grants from the Commission enable these organizations to present such programs and to hire professional management staff. The Commission has found that these societies, beyond their social and cultural programs, act as useful clearinghouses for information on trade policies, investment opportunities, and nuts-and-bolts "how-to" data for local U.S. businessmen interested in exporting to or otherwise doing business with Japan. In a related endeavor, the Commission plans to work with the U.S. Chamber of Commerce in partially funding trade studies for small American businesses, which are interested in doing business with Japan but which may feel overwhelmed by the complexity of that market.

In general, the quality of Commission projects and the wide range of academic, cultural, and public affairs institutions in both countries involved in them attest to the favorable impact the Commission has had in its field over the short period it has existed. Many areas of its activity are mandated by the Friendship Act and are fundamental to the Commission's objectives. In the educational field, these include Japanese language study for Americans and support for libraries, faculty research, curriculum development and other such means of improving the ability of the universities in one country to teach about the other. These programs will always receive their share of attention, but the

Commission takes special pride in some of its own initiatives. These include, on the educational side, the development of grants designed to induce major American graduate schools of business to introduce Japan-related material into their curricula. One of the pioneering and most successful efforts has been undertaken by the University of South Carolina. Subsequently, similar grants have been made to the University of California, Los Angeles, New York University, Stanford, Cornell, and the University of Pennsylvania. Although on a smaller scale, the Commission's programs to train specialists on Japan in law, journalism, and economics have had considerable success in terms of the achievements of their graduates. The effects of such programs can be measured only in the very long term but it is fair to say at this stage that these initiatives by the Commission have increased many times over the number of American graduate students specializing on Japan in business, law, administration, economics, and journalism who are supplying real needs today of business, academia, the media, and government.

IV. Summary of Resources

The amounts of budget authority and outlays represented for Fiscal Years 1985 and 1986, and requested for Fiscal Year 1987 are as follows:

	1985 Actual	1986 Est.	1987 Request
Budget Authority (Appropriations)			
Domestic Program	1,600,000	775,000[1]	1,550,000
Foreign Currency Program	1,200,000	1,200,000	1,300,000
Total Budget Authority	2,800,000	1,975,000	2,850,000
Outlays			
Domestic Program	2,297,000	1,675,000[2]	2,450,000[2]
Foreign Currency Program	1,200,000	1,200,000	1,300,000
Total Outlays	3,497,000	2,875,000	3,750,000

Footnotes

1. Does not reflect Gramm-Rudman-Hollings Sequestration (4.3%) of $33,000.
2. Under the Japan-United States Friendship Act of 1975, as amended, the Commission is permitted, in addition to appropriation of its Trust Fund interest earnings, an annual drawdown of 5% of the original Trust Fund Principal ($18,000,000 x 5% = $900,000 per annum). This accounts for the difference between budget authority and outlay.

Note: The Commission operates with a full-time staff of four: an Executive Director, a Program Officer, and a Secretary in Washington, D. C.; and, an Associate Executive Director in Tokyo, Japan.

JAPAN-UNITED STATES FRIENDSHIP COMMISSION

BUDGET IN BRIEF

	1985 Actual	1986 Est.	1987 Requested
BUDGET AUTHORITY			
Domestic Program	1,600,000	775,000[1]	1,550,000
Foreign Currency Program	1,200,000	1,200,000	1,300,000
Total Budget Authority	2,800,000	1,975,000	2,850,000
OUTLAYS			
Domestic Program	2,297,000	1,675,000[2]	2,450,000[2]
Foreign Currency Program	1,200,000	1,200,000	1,300,000
Total Outlays	3,497,000	2,875,000	3,750,000

Footnotes

1. Does not reflect Gramm-Rudman-Hollings Sequestration (4.3%) of $33,000.

2. Under the Japan-United States Friendship Act of 1975, as amended, the Commission is permitted, in addition to appropriation of its Trust Fund interest earnings, an annual drawdown of 5% of the original Trust Fund Principal ($18,000,000 x 5% = $900,000 per annum). This accounts for the difference between budget authority and outlay.

Dr. Campbell. Yes, Mr. Chairman.

I am pleased to testify before you for the third time on behalf of the Japan-United States Friendship Commission.

As you mentioned, I have with me a fellow commissioner, Mr. Frank Gibney, who is on my right who is a businessman and author of many books on Japan. And I had hoped also to have with me, Dr. Chalmers Johnson, who is a professor of political science at the University of California at Berkeley, and one of the country's leading academic experts on Japan and the author of the widely acclaimed study, MITI and the Japanese Miracle. But the change in the time made it impossible for Dr. Johnson to get from the west coast to here in time, Mr. Chairman.

But his statement, I believe, has been placed in the record.

As you mentioned also, with me are two members of the Commission's professional staff, Lindley Sloan, the Executive Director right behind me and Joseph Schreiber, the Program Officer.

The third member of the staff, Dr. Eric J. Gangloff, represents the Commission in Japan and is not with us today.

Now, in my testimony I try to provide a general overview of the Commission's origins, purpose, financial situation, and current programs. I do not propose to read the entire statement but I will summarize a few main points and then I will ask Mr. Gibney to give his views of the Commission from the vantage point of his numerous special expertise.

Now, we are all aware of the tremendous economic accomplishments of Japan and its growing importance in world affairs. Extensive coverage in the media reminds us daily, of course, of our disputes with Japan over trade and defense issues.

I do not propose, Mr. Chairman, to dwell on these matters in my testimony, but rather, to indicate the continuing relevance and the increased importance of the work of the Commission on the improvement of U.S/Japanese relations.

In passing the U.S/Japanese Friendship Act in 1975, the Congress, in my opinion, acknowledged the unique character and great importance of the relationship between the U.S. and Japan.

Because of centuries old differences and thought patterns, value systems, social and economic behavior, decision making processes and meanings of communication, Congressional leaders felt the need to strengthen the foundation of the U.S./Japan relationship through longterm educational public affairs, cultural exchange programs.

Now, on page 3 of my testimony, I have set forth the program objectives contained in the original legislation which focus on scholarly research, library development, exchange of professors, scholarships, programs in the arts, etc.

And in the Friendship Act, Congress also appropriated the Japan/U.S. Trust Fund, an endowment denominated both in Yen and Dollars with a combined value of approximately $36 million at the exchange rates then in effect. At the end of the Fiscal Year 1985, the value of the two funds equalled approximately $34 million at the then current exchange rates.

These two funds represented a portion of the money paid by Japan to compensate the United States for postWorld War II assistance and for certain public facilities built by the U.S. in Okinawa, prior to its reversion to Japan in 1971.

The Commission was authorized to invest the fund in government obligations in both countries and to expend the interest earnings. Subject to annual appropriation thereof, and also to spend up to 5 percent annually of the original of the fund to carryout the purposes of the Act.

Now, aside from a gift of $2 million from the Japanese government in 1981, the fund has not been augmented since its origin.

Details of the Commission's financial statements and projected needs are contained in our formal appropriation request, which was forwarded to you earlier, to which you made reference.

I am also enclosing with this testimony a summary status report on the Commission's funds for your convenience.

I turn now, Mr. Chairman, just for a brief look at the Commission's current programming and directions. First, the Commission remains true to the original intent of its legislation. We continue to make grants in support of research and teaching on Japan in our instituations of higher learning, but, and I emphasize the but, in recent years we have given greater attention to the training of specialists on Japan in economics, business, law and journalism.

Our program to encourage development and faculty training in the field of American studies in leading Japanese universities has also shown marked progress in the past year.

Exchange of legislators, school administrators, journalists and other professional groups remain an important part of our program. And with our support a network of 18 Japan-America societies around the country has become increasingly effective in informing local audiences on the complex issues in contemporary U.S./Japan relations, particularly in the areas of trade and investment.

In addition to these well-established program modes, the Commission is exploring some new paths in conjunction with its semiannual meeting in April of last year we held a day-long policy discussion. And with important inputs from Senator Jacob Javits, considered by many to be the founding father of the Commission, and Senator William Roth, who is one of our commissioners, we decided that the current state of U.S./Japan relations made it mandatory that we give priority attention to the critical trade and defense issues plaguing relations between the two countries.

While the Commission cannot be expected to play the role of a mini-Department of Commerce, or the U.S. Trade Representative's Office, we can make an important contribution through support of training, research, and public affairs programs dealing with these problems.

Accordingly, we are expanding our existing support of graduate schools of business which are incorporating courses on Japanese business organization and practices into their curricula. We plan to scale down assistance to long-standing language and area study programs at traditional university centers of Japanese Studies, and to provide more to budding centers and in non-elite institutions, especially in the midwest, south, and mountain west.

Particularly as Japanese investment grows in various parts of the U.S., our local officials, educators and business leaders are approaching the Commission for support. We will continue to support Japan/America societies throughout the country, particularly in the public affairs area, and in this connection, we will make every attempt to secure replenishment of the Japanese Gift Fund of $2 million for this type of activity.

We are also taking a more active role in the Public TV/Media area, especially in promoting programs which provide balanced airing of current U.S./Japan issues. To compensate for the foregoing change in program emphasis we will be making significant reductions in our funding for libraries, the arts, and purely academic research.

Now, the Commission believes that this shift in priorities will enable us to bring some of its assets to bear on contemporary issues in the U.S./Japan relationship while continuing to support longer term educational and cultural programs designed to promote cooperation and mutual understanding.

For the record, Mr. Chairman, I have attached to my testimony a list of some recent and planned projects which will illustrate the Commission's priorities I have just outlined.

Now, I would like Mr. Gibney to give his contribution to the Commission's testimony, Mr. Chairman.

Mr. GIBNEY. Mr. Chairman, I am very happy to accompany Dr. Campbell here as one of the commissioners to give you the benefit of my own experience and thoughts on this matter.

Speaking from two standpoints, really, in the first place, about 40 years ago I was a part of an unprecedented effort that we made in this country at the outbreak of World War II to learn something about the Japanese—their language, their background, their way of life. And a lot of us were put through a very intensive schooling at that time.

And I think this bears a good share of the credit for the fact that we had a successful war and a successful occupation.

I think now, we have a similar obligation to try to learn a great deal more about the Japanese than we have known, because it is not just the context of a war or even purely competitive relationships, but we have this unique relationship of a competitive economic relationship plus a very firm tie of friendship and political comity that we have developed.

And there is another thing that I have in my background that might be useful. I am speaking as a businessman. I spent ten years in Japan working as a journalist, first, and then as a businessman. I am the vice chairman on the Board of Editors on the Encyclopedia Britannica, in Chicago and I am also vice chairman of Britannica's Japanese affiliates which I founded. We have, among other things, started a Japanese language edition of the Encyclopedia Britannica, which is sold by this time, almost 700,000 sets.

We were one of the American companies that was quite successful in Japan and I think that the reason why we were successful is a very simple one, that we spent a great deal of time studying Japan—we studied the people, and we studied above all, the language, the background and the culture, because I do not think that knowing Japanese language or culture are just add-ons to executive skills now.

I think that they are indispensible, because the fact that the Japanese are so akin to us in superficial ways is sometimes deceptive. But if you do not learn the essence of their culture, their language, how to communicate to people of this country, I think that we will always be in the position of playing second fiddle to them.

That is why, as a businessman, particularly, I was very happy to be invited to join the Friendship Commission, because I think the Friendship Commission does an absolutely indispensible thing in educating Americans to a wide public awareness of the issues with Japan, the potential of the relationship and teaching Americans something about Japan. And I think the effort and the emergency involved is very comparable to the effort that was made at the beginning of World War II, where we had to train thousands, and thousands of Americans quite suddenly in the Japanese language and the background of that civilization.

Many people talk about our living in an information society without realizing how true this is. And because not the least factor in Japan's business success has been the speed with which the Japanese developed the study, the amassment of information on a worldwide basis and harnessed them.

Japanese knowledge of the American market is literally encyclopedic. One of the basic jobs that we have at the Friendship Commission is to support the studies, the kind of selective exchanges and the training programs which can give this kind of knowledge to Americans.

And I think that we have to go it rather fast. A wider task is to go beyond business studies and to give our people some knowledge of Japan's unique culture, which is good not merely in a business competitive way, but in developing future relations with a country which I think is probably our strongest political ally.

Another task that the Commission has is to try to help educate Japan's talented and people who are nonetheless very insular people, to understand the problems that they have caused by their own single-minded economic drive and success.

And I think that we have a unique role and a unique mission because there are many organizations that are dedicated to strengthening and improving the relationship between Japan and the United States. Some of them are agencies of the Japanese government, like the Japan Foundation, directed from Japan.

Others have American coloration. They are directed and operated in the United States, but they, too, are funded primarily from Tokyo. All of these perform useful functions but they have limitations that their sponsorship implies.

Only the Friendship Commission is an agency of the United States Government formed by the Congress and I feel that this status as a government agency means three things.

First, while we stress a commitment to harmony between the two countries, we must promote the relationship in ways that have particular meaning and importance to the American people. We are trying to improve the relationship from our vantage point, in areas that seem of particular importance from this side of the Pacific.

In a sense the Commission is the counterpart of the Japan Foundation in Tokyo. I would say, as a recent member, a very efficient counterpart. The Japan Foundation has a staff of more than 100 and in Washington and Tokyo together, the Friendship Commssion has a staff of only five, but in my own experience, I have found that the Commission does its job more quickly, more efficiently than its counterpart in Tokyo. In a sense that is our competition. I think that you have to look a long way to find a more dedicated staff or smaller staff in the government doing good work.

I think the second thing about the Commission's role is that we set out to deal with all the regions as the Chairman mentioned, and all legitimate organizations, however small they are. For most foundations it is very tempting to give money to safe recipients—the big organizations, with old reputations and big staff, who do things tidily. The Friendship Commission is different. We are not in business to give grants to Harvard University or the Japan Society of New York. They are both fine groups of people and they have good credentials and we will entertain their proposals because they have very, very good ones.

But we have a special, play a special role. We are dedicating people to help people and organizations any where who have good ideas and projects to help this relationship and to further our awareness of Japan.

And we have a particular obligation to areas that have only recently developed an interest in Japanese-American relations.

We include all states and all regions. We like our funding used in the context of our charter but particularly we want to support local interests, and local initiatives, where they did not exist before—notably in the southern part of the United States, and the midwest, and the mountain states, where we have been able to help in developing a great deal of interest in Japan and at the same time, a great deal of competence in dealing with Japanese problems.

I think that there is a third factor which is very important in terms of what the Commission does. As a government agency we have the obligation of trying to chart what is important in relationship between America and Japan. And we try to suggest by the nature of our grants what we think others should do.

Other organizations may want to concentrate in areas of constant interest like presenting the Kabuki or doing the historical research in the customs of 8th Century Japan. These things are important, scholarship knows no time frame and American scholars have produced some of the best research on Japan over the last 20 years.

Nonetheless beside such permanent concerns, the Commission has a special obligation to support academic study in areas of current interest—economics and defense among them, espcially economics, which is what interests me as a businessman most. And to inform the public of both countries what the problems of this relationship are and how we can all solve it.

And we stress policy planning and research and we also are increasingly stressing the exchange of journalists, and media discussion of Japanese/American topical issues. We are suggesting that others join us. In a sense we set ourselves as an exemplar and hope that others will follow our example. Our funding is very limited. And we are in the business of providing permanent subsidies. We use the funds at our disposal to underline the significance of some areas and to invite others to join us on them.

And as I say, we are particularly interested in those of a regional area.

For my own purposes, I think of the Commission's work as divided between long-range programs and short-range programs of immediate importance.

I do not mean to denigrate the long range activities when I say, we are more interested at the moment in the immediate programs. Of course, you do not develop good libraries in Japanese subjects overnight and you cannot develop a Japanese scholar in one or two year's time, or a good knowledge of Japanese—it takes a long time. But I do think that as an editor by trade, and as a businessman who deals with the Japanese almost constantly, I worry most and am the most interested in the Commission's short-range projects because we try to deal with topical issues in the relationship.

It is first a matter of basic communication. A central problem in our relationship with Japan is that these two people's technical and functional compatability—no nation is so in a sense, Americanized itself, as Japan, they conceal very deep-seated cultural differences. And there is no better way to come to grips with these differences than by exchange of people. One good visiting professor from this country in a Japanese university can brush away 20 year's worth of misconceptions in a Japanese university about the way our society really works.

And similarly the recent increase in Japanese scholars visiting the United States, we foster, does equally well to improve our feel for that culture.

Young Japanese scholars trained by American universities have almost revolutionized the old-hide-bound Japanese university system. The hold of outdated Marxist scholarship in Japanese universities faculties is being broken. As the editor of the Japanese Language Encyclopedia Britannica which we spent 8 years in producing, I have had occasion to deal constantly with scholars in that country over 20 years and I can assure you that the new breed is quite different than the pro-Marxists ideologues that I had to deal with 15 years ago.

Here, again, the Commission thinks of itself as an agent in sponsoring useful exchanges. We also do work in the exchange and training of journalists. This is important to understand the problems in the relationship and to produce the information and the insight needed to solve them.

As a journalist myself, I really cannot stress enough the importance of doing this. We need to upgrade the skills and numbers of American correspondents in Japan, that is true. But the best correspondents, Japanese speaking involved with American papers in Tokyo cannot work well if they have to deal with editors whose picture of Japan is 20 years out of date.

Particularly, we need good policy studies of this relationship in trade, and investment, in financial relationships and security issues. These two countries, for better or worse, are becoming one huge-macro economy and we have to find out more about how to operate in that context. We use studies of problems in mutual interest-urban congestion, pollution, pensions, aging, among them.

The Commsision again encourages such studies by selective support and I think that we have quite a role there.

The Japanese for their part, have a whole complex of interlocking public and private sector committees, at every level, that deal with long-range planning in all the areas of their lives.

Not merely the Ministry of International Trade and Industry, the MITI, but government organs like the Economic Planning Agency, are engaged in charting the future. For better or for worse, we, in the United States, do not have this concentration of public and private planners.

By contrast, we attempt to perform this function through individuals, through a variety of private think tanks and universities and I think that we do it very well. But we have a crying need to give support and encouragement to our own thinkers and working executives in these areas. And that is why we try to increase our assistance to such activities.

We also like to make the results of moden Japanese research and development especially new Japanese technology, available, for businessmen, scientists, and particularly engineers in this country.

There is a huge body now of technical documentation building up in Japan and this body is not available to us in English. For while news and discoveries in technical fields in English are constantly translated into Japanese, the opposite is not necessarily true.

The Commission is very anxious to work in this field. My own hope is that the Commission by selective support to those already working on this problem, we can develop a clearinghouse of information to be used by American researchers in solving engineering problems and the adaptation of basic research to practical use that the Japanese excel.

It is information that we need if we want to keep our competitive thrust.

Almost from the moment that we started in 1975, the Friendship Commission has been working to develop a knowledge of Japanese management and labor practices among the faculty and students of business schools in the United States.

There is a huge amount of work to be done here. For a while we had a lot of quick-fix books like Theory Z genre, but that is no substitute for the systematic study of what makes corporations work in Japan—their defects as well as their virtues.

And they are not perfect by any means.

Recently I taught an economic course in Japanese Management and Labor Ideas at the University of California at Santa Barbara, where I am a professor too. It was packed to overflowing with young men and women and they wanted to know about Japanese business; they wanted to apply their lessons when they went to work for an American corporation. This is exactly what Japanese students have been doing for many years. We have just started to do this but I am happy to say that materials originally developed with the Friendship Commission's support were a vital part of our course materials and I would like to think that the Commission is going to do more of this.

Now, the Commission would like to extend its support of a study on Japanese business philosophy and methods to university business schools around the country. I can think of no more immediate way to increase our national business competitiveness. It is a major effort which has been too long delayed.

In so many ways Japan's business society is a prismatic mirror-image of our own—we have so much in common. It is no accident that so many joint business ventures are springing up between Japanese and American companies. Or that our workers find Japanese ideas on labor/management harmony of such interest. We should not forget that this harmony was a direct result of the democratic trade union movement, the U.S. occupation instituted in Japan.

Here, too, I think the Commission has another important role. In its policy studies in setting the mechanism of these cases, and making Americans aware of the lessons to learn.

The Commission has supported a great many educational products in universities and schools for developing awareness of contemporary Japanese society. Television plays a part here in developing popular awareness. Most private foundations are nervous about supporting popular TV documentaries, but the Commission has not hesitated to assist intelligent TV and other media presentations about the basic issues in the relations between Japan and the U.S. I think that this is a vital function. We cannot expect the average TV channel's news departments, so worried about ratings, to give much air time to an intelligent and critical discussions about the Japan relationship.

But I think the area of public television and rating syndicated programs and strategic support from the Commission can be the margin between airing a show or not. We are going to do our best to support good discussions of these issues in the media in Japan, because they are not aware often of the intensity of feeling on the trade issues in this country and they should be made aware of this.

It is important that we be accurate in our construction and our criticism and we make our points on the right issues. But we are dealing with an ally and exasperating as it may be on occasion, the Japanese are our firm allies.

And American and Japanese interests combine and intersect with each other in a wide spectrum both political and cultural and not just economic concerns.

We are the two major democracies in the Pacific. No other international relationship that we have, is I think, so important. And it seems to me that that is what the Friendship Commission is of utter importance these days. Quite similar to the tremendous international effort that we made in the beginning of World War II to learn about Japan in an unfriendly context, I think the Commission's role in making us aware of the Japanese and making the Japanese aware of us, is about equally important today.

Thank you.

Mr. SMITH. Let me try to get a brief overview and yet, sufficient enough to describe in the record, how you spend your money.

Let us take, first of all, the 1986 Fiscal Year. No, let us go back. Let us take 1985. You had $1,550,000. Can you break that down into categories? In other words, how much was spent for exchanges of these professional groups?

How long a list would that be? How much for students and things like that?

Dr. **Campbell**. Well, Mr. Chairman, it is a question of how much detail you want, but taking a general categories first on what we call the Japanese studies, we have about 29 percent of the dollars that are spent on that.

On research, about 21 percent; and the arts, is about 16 percent; and the American studies 9 percent; and on the general category of public affairs, which have been expanding recently, that includes much of our work on defense and trade issues, and that is 7 percent.

Although, I should point out—and the rest is administration. I should point out, of course, under the rubric of Japanese studies, that is not monies that go to Japanese, that is largely money that goes to Americans to make them experts on Japan, and the other way around—American studies tends to be money that goes to Japanese to improve their knowledge of this country.

Mr. **Smith**. Under this category of Japanese studies; are they studies in this country?

Dr. **Campbell**. No, it is primarily in Japan.

Mr. **Smith**. I see.

Dr. **Campbell**. Americans going to Japan.

Mr. **Smith**. Now, what part of that would be students as opposed to people that are graduated in the adult world?

Dr. **Campbell**. Actually, we have really relatively small amount of money that goes to the training of students. For example, we have a program that trains people who are combining expertise in the Japanese language with expertise in English and the Japanese studies covers all our various grants to business schools, law schools,

Mr. **Smith**. Well, for law schools, tell me how that would work? You would give a grant to a law school?

Dr. **Campbell**. No. You usually give a grant to an individual.

Mr. **Smith**. Would you give funds to an individual to go to a law school in Japan?

Dr. **Campbell**. No, no. To combine his knowledge of the law with his knowledge of the Japanese language.

Mr. **Gibney**. We developed a program at the University of Washington, I think, we developed a real body of expertise on how law works in Japan, the differences of the workings of the legal system there and here and that is absolutely vital to any American businessman going over.

That is a good example.

Mr. **Smith**. So you give a grant to a lawyer in this country. A law student or a graduate?

Dr. **Campbell**. No. It goes to the University, the University of Washington, and they use it primarily to support the students.

Mr. **Smith**. For a class or for an individual student?

Dr. **Campbell**. Individual students, in this case.

Mr. **Sloan**. For individual fellowships throughout the country. They administer the program from the University of Washington.

Mr. **Smith**. I see.

Mr. **Sloan**. To encourage people who are in legal studies to introduce a Japanese component into their work. Language and/or focusing on Japanese legal system.

Mr. **Smith**. Well, how do they do that?

Mr. **Sloan**. They require applications from the people who are interested in this program and then they award the fellowships with our funds.

Mr. **Smith**. These are students that are going to a law school?

Mr. **Sloan**. Yes, well, they are usually graduates of law school and they are doing advance work and they are planning to have a career in dealing with Japan, or interested in that.

Mr. **Smith**. What about resource materials, where do you get that?

Does the University of Washington not fund the resource materials?

Mr. **Gibney**. There are some people at the University of Washington who are particularly skilled as in other places we tend to support programs that have some uniquely qualified scholars. And then they develop their own. Dan Henderson up in Washington has written a variety of textbooks on this and they would not have been able to have done it if they did not get this kind of support from us because normal state universities are just not equal to doing this kind of a specialized job.

Mr. **Smith**. Then in 1985, you spent about 29 percent of your money on what you call Japanese studies?

Now, how about in 1986?

Dr. **Campbell**. I think that the percentage is probably about the same. I will ask the staff.

Mr. **Sloan**. We are only halfway through the Fiscal Year at this point and as you know, we are operating on a reduced budget, so that it is hard to say just how it will come out. We have been trimming some programs and we have been looking at some older programs and we have been trying to live with the new cuts. I am just not sure how that will work out—the cuts have come since our last meeting, Mr. Chairman, so we really have not had a chance to study or discuss the impact of this with our commission until our next meeting.

Mr. **Smith**. So you have not decided, for 1986 which categories will take the heaviest reductions?

Dr. **Campbell**. Yes. I can tell you the one that undoubtedly will is the arts.

Mr. **Smith**. The arts; now what does that consist of?

Dr. **Campbell**. Oh, it is bringing Japanese dance troupes, Japanese art and Japanese theater to this country. We did not think that given the present emergencies in respect to economic matters, and defense matters, that this should enjoy as high a priority and plus to be quite frank, there is some question as to how many Americans are interested in this.

Mr. **Smith**. That was 16 percent, so you cannot absorb 50 percent out of 16 percent. So how are you going to absorb the rest of the 54 percent of the reduction?

Mr. **Schreiber**. Mr. Chairman, we will also be drawing down our principal up to the maximum 5 percent or as close to it as possible. That is $900,000 a year. Now, in Fiscal Year 1985, of course, we only drew it down about 4 percent so that is a considerable amount of money. We are also taking some additional funds out of, in addition to the arts, the Japanese studies, and the American studies programs may be reduced somewhat.

So there is a number of other categories we can draw from but the big one is the draw down of the principal, that $900,000 that is available to us outside the appropriations process.

Mr. **SMITH**. So other than the arts, then, there is not going to be a great deal of difference in your programs for 1986 compared to 1985?

Mr. **SCHREIBER**. We are putting more emphasis on the public affairs side, this time and that, I think, is the big difference and also on the policy oriented research, particularly on current issues between the two countries. Those are the two major areas that I see.

Mr. **SLOAN**. Mr. Chairman, may I add, we are also trying to stretch our money a bit, under these circumstances by trying to thoroughly look into the aspect of matching grants for those who come to us for funds to see if they cannot put up more to help us keep the maximum of our program going.

Mr. **SMITH**. Do I understand you say that a relatively small amount of this goes for students who want to go to Japan to study?

Dr. **CAMPBELL**. Yes.

Mr. **SLOAN**. It is relatively small. We do not run anything like a Fullbright program. We do not receive applications just to go to Japan for some reason. A typical program would be like the one at Columbia University where people who are taking their graduate degree in journalism, go to Japan for a year's study after they have studied Japanese for several years in the United States to polish their Japanese and learn about Japanese media. But these are more in a professional class rather than what most people think of as students.

Mr. **SMITH**. I see.

Mr. **SLOAN**. Usually it is graduate level.

Mr. **SMITH**. What kind of money are we talking about that goes to this sort of category?.

Mr. **SLOAN**. The Columbia program?

Mr. **SMITH**. No, all of them in that category, not just Columbia.

Mr. **SLOAN**. The problem is that, we see this kind of activity of a graduate student or a scholar going to Japan or vice versa, as existing throughout our programs, as Dr. Campbell mentioned, we would have to pull out the elements of each one of those categories to get the kind of total that you are looking for. It is kind of a cross-grid that I do not know the immediate answer to.

Dr. **CAMPBELL**. For example, when we send a student to Japan we try to use yen to the maximum extent possible so that there can be yen mixed in. For example, the airplane ticket because of it being mandated on an American carrier so that you use dollars for that but once a scholar gets tc Japan, then he is strictly on yen.

Mr. **SMITH**. But now, like this Columbia program, how much does that cost per scholar?

Mr. **SCHREIBER**. It is approximately $10,000, I would say, per year, per scholar.

Mr. **SMITH**. That would be for 9 months?

Mr. **SCHREIBER**. Yes, right.

Many of these programs, sir, do not involve going to Japan necessarily in the Japanese studies. For example, on our program in training economists, which the University of Michigan handles for us, they do not travel to Japan, but rather they are given funds to study Japanese and to do research on Japanese topics here, in the United States.

So there is not necessarily an exchange element in all of our work. It is there but not always.

Dr. **Campbell.** In fact, we probably could go beyond that and say only a relatively small number do.

Mr. **Smith.** Of all of our programs?

Dr. **Campbell.** Yes.

Mr. **Gibney.** The original business school activities I think is the case in point that we provided business schools in the U.S. some years back with kits, more or less suggesting what materials they could use to have their students study Japanese business and we are following that up now and encouraging more requests so that without going to the point of educating individual students, that is not our business, we would get a business school that seemed interested in this and there are very few of them, and say, okay, now, you want to learn more with the view of teaching about Japanese business practices, we will give you the sinews for this and go ahead and then develop the course and if it looks good, we will fund it some more.

Mr. **Smith.** How much income is there off of the fund for the last year?

Mr. **Sloan.** It is by Fiscal Year.

Mr. **Schreiber.** We calculate that there is about $1,550,000 in interest that we earn from our dollar trust fund and approximately 1.2 million in Yen that we earn from our Yen trust fund and that is the whole basis for our appropriations request. We gear our request based on our expectations of those interest earnings.

Mr. **Smith.** I see.

So the funds have a total income of about $2.75 million.

Dr. **Campbell.** But then assuming the full amount is appropriated, then that total expenditure, we would add on how much we spent and spend from the special Japanese fund which is rapidly being exhausted which supports Japan-U.S. societies in which we hope to get the Japanese government to agree to renew.

And then the other expenditures we can make depends on, as Mr. Schreiber mentioned earlier, how much do you draw down principal. This is somewhat of a continuing debate on the Commission because if you drew down principal by 5 percent every year in addition to spending all the income, it is only a matter of time until you would basically wipe out the funds of the Japan-U.S. Friendship Commission.

Mr. **Smith.** How do you support Japan-American friendship societies? Is that what you call them?

Mr. **Schreiber.** Japan America societies, yes. We have 18 of those throughout the country. We basically provide initial support for the first three to five years of their existence. We provide support to allow them to hire professional executive directors. This permits them to start to run programs on public affairs, programs on current issues, some social events, some cultural events.

Our money goes to basically provide that sort of administrative infrastructure at first. Then once they get going, we say to them, okay, you have now got to justify your requests to us in terms of specific programs that you are going to offer.

After that three to five year initial period, we will only support them if they come in with specific program requests, if they want to bring a top economist from Japan to speak to them, if they want to send a top American businessman from another location, and so on.

Mr. SMITH. You said there were 18 of them?

Mr. SCHREIBER. Yes.

Mr. SMITH. How did you determine how many of them and where they would be?

Mr. SLOAN. Well, some of them exist, of course, already, and some of them are growing. We do support new ones. As a matter of fact, that is one of our interests, if we think they are viable, we study them first to see whether they have enough——

Mr. SMITH. What makes them viable?

Mr. SLOAN. Well, we look at the interest in the community, what they are doing; we look at the leadership to see who they are and what financial plans they have. Joe did not mention that we look very hard at their leadership to see what kind of corporate prospects there are. After we have supported these groups for three or four years, if they are not raising local funds, then we cut them off.

Mr. SMITH. It does not necessarily involve whether or not they have a Japanese ethnic group in the community?

Mr. SLOAN. No, it is not related to the local ethnic groups. They often do, however——

Mr. SMITH. It would be whether or not the business community there is really interested in developing some kind of relationship.

Mr. SLOAN. As you might suspect, in the traditional centers of international Japanese affairs like San Francisco, Boston, and New York, they have had societies there since 1903 or 1904. What is interesting now is that new ones are popping up. Our newest one is in Tampa, Florida, which you would not think would have a traditional interest. We are getting feelers from Kentucky and Iowa and the latest one is Rhode Island. They have come in to us just last week saying they wanted to start one.

So it is certainly spreading around the country now instead of the traditional centers. We think it is a very exciting growth.

Mr. SMITH. Does it have something to do with the relationship as to where they have a lot of exports and imports in that area?

Mr. SLOAN. Exactly.

Mr. SCHREIBER. And Japanese investment as well; that seems to be key.

Mr. GIBNEY. I think a place like Denver is a good case in point. They are recently getting one together. And there you have a certain amount of business interest for both export and import, and there is some interest from the local universities. There is a bit of original ethnic Japanese there that plays a small part. All these sort of mix and what we do is, as the Director has been saying, is try to see how good the mix is, and if it looks as if it is going to take, we will support it because then they very quickly will stand on their own feet if they are any good.

Mr. SMITH. Do they try to get an interchange of people going back and forth?

Dr. CAMPBELL. Interchange of people, interchange of views, interchange—well, the common phrase is to promote greater understanding on both sides. In the almost three years since I have been associated with the Commission, Mr. Chairman, the real encouraging thing to me about these Japan-U.S. societies is, first, how the traditional centers have pretty well all put themselves on a self-supporting basis, and we have moved out to the country as a whole, to a great many places that 20 or 30 years ago you would not have expected them to have any interest whatsoever in Japan. I think personally because of the trade and investment picture, there is going to be an increasing amount of this. It is very important to support it because if we are ever going to understand Japan's trade practices, Japan's attitudes, et cetera, this is more of a grass roots place to start trying to understand it.

I do not want to denigrate courses in universities because they play their special role, too, but your people actually sit beside one another in Japan-America societies. They talk with one another. They exchange views, Japanese and Americans, et cetera.

Mr. SMITH. How much is in each one of these funds now at the last accounting you had?

Mr. SCHREIBER. We have about $16 million in the dollar trust fund right now. Because of exchange rate differences and fluctuations, it is difficult to talk about the yen fund in dollars, but right now it is, surprisingly enough, about $18 million in that fund because of the strong yen. And our gift fund, which is that nonappropriated fund, the gift from the Japanese government, we have about $250,000 left of that. And we fully expect to expend this later this calendar year.

Mr. SMITH. Well, now, at the end of this fiscal year compared to the end of the last fiscal year, what will be the drawdown on each one of these funds?

Mr. SCHREIBER. Well, we will use our maximum 5 percent drawdown for the dollar fund, but of course we will not be able to spend some of the interest earnings. So the drawdown will just about be a washout, Mr. Chairman, on the dollar side.

Mr. SMITH. So you will end up about the same?

Mr. SCHREIBER. About the same.

Mr. SMITH. Now, do the interest earnings then go into the fund? Do they stay in the fund?

Mr. SCHREIBER. They stay in the fund. In fact, most of them are invested in U. S. government bonds, except for our immediate cash requirements. For example, we have now about $15.6 million invested in U. S. government bonds and about $400,000 in cash.

Now, on the yen side we expect to have some drawdown, but again that is difficult to state in dollar terms because if the dollar keeps declining, we may have a higher dollar figure than we have now.

Mr. SMITH. The dollar fund is primarily invested in bonds, is that correct?

Mr. SCHREIBER. U.S. government bonds.

Mr. SMITH. Primarily?

Mr. SCHREIBER. Totally.

Mr. SMITH. Totally?

Mr. **Schreiber**. That is the only investment permitted under the Friendship Act.

Mr. **Smith**. What kind of bonds?

Mr. **Schreiber**. U.S. Treasury bonds. We have a mix, sir, of anywhere from one year issue to 10 years in denominations.

Mr. **Smith**. And the yen is invested in what?

Mr. **Schreiber**. The yen is invested in Japanese government bonds.

Mr. **Smith**. They do not draw as good an interest rate?

Mr. **Schreiber**. Not really: they have been drawing about 6 to 7 percent whereas I think our average percentage rate on the dollar bonds is now about 9 to 10 percent.

Dr. **Campbell**. I do not mean to be facetious, Mr. Chairman; our record is about the same as the New York financial experts. We usually do not have enough invested in long term governments and should have a lot like the last year, and we are the other way when it is the other way. But I would plead that our record compares reasonably well with the experts.

Mr. **Smith**. Well, it is easier for you to estimate expenditures than it is for the City of New York.

Dr. **Campbell**. Right.

Mr. **Schreiber**. Mr. Chairman, one other thing I might add on the financial side, and it refers to your question about how we are going to make up the shortfall, and that is that we will be using yen much more this year. We have taken a special look at all of our grant proposals, and in effect we will be doing this in the future, what possible component of those grants can be funded in yen, and we are doing so.

Dr. **Campbell**. A major point I think I would like to make, Mr. Chairman, is if we do not get the full appropriation for next year, it is going to greatly constrict and reduce the amount of work we will be able to do in the fields we consider particularly important at the present time in terms of information on the trade problem.

Mr. **Smith**. It sounds like to me it would not do that. All you have to do is you draw down more on the principal and put interest in place of it.

Dr. **Campbell**. You can only do that so far. I was brought up on a farm, and I was always told that you could only spend money once.

Mr. **Smith**. You did not have a lot of interest income, though, when you were on the farm, did you?

Dr. **Campbell**. No. But if we spend principal, then we have less interest income in the next year, 5 percent adds up after awhile.

Mr. **Smith**. But if you spend enough less, then you have some interest income left over to put back in place of the principal.

Dr. **Campbell**. You can look at it that way, yes, sir.

Mr. **Smith**. We have another problem this year. We always have problems. We have situations like this in a number of agencies. The SEC charges fees. The fees that are charged will bring in more money than what we are spending on SEC. The fees go to the general fund apart from that we appropriate for the SEC.

And now under Gramm-Rudman, we are very limited on outlays and budget authority both. And without regard for the source of income to your funds, we are charged with obligation authority and outlays. All of the agencies are having to take reductions. In some of them it is extremely difficult. I mentioned the SEC, but there is the FAA. We have more passengers and more need. How do you reduce them? Meat inspection: they do not have inspectors there. They have to close down the line; resulting in health problems, epidemics, and so forth.

But we have these restrictions to work within.

Dr. CAMPBELL. Incidentally, if I might comment on that, sir, we have already been charged our Gramm-Rudman reduction.

Mr. SMITH. Since you did not get as much, you only had to take $33,000. If you got twice as much, it would have been twice the reduction.

Dr. CAMPBELL. I score one for you, Mr. Chairman.

Mr. SMITH. Gramm-Rudman took $33,000, which you want $66,000 back. You want to go back next year to the full $1,550,000.

Dr. CAMPBELL. And next year under Gramm-Rudman the reduction is automatic. If you appropriate the full amount, we would have a considerably larger contribution or whatever you want to call it. I do not know how much it would be.

Mr. SMITH. We do not know either. But that is a difficult case. Without regard for income or where the money comes from, we have to limit outlays.

Dr. CAMPBELL. Believe me, Mr. Chairman, we fully sympathize with you on the problem here. I think one way of summing up is we would prefer to have the appropriation of the full amount of interest and pay our Gramm-Rudman charge on it and have some more flexibility in terms of how much of the principal we do or do not spend, even though I agree with you, by spending the full 5 percent, the reduction for the current year may not have been as great as you initially thought it would be.

But I want to assure you it hurts. I will just leave it that it hurts.

Mr. SMITH. Well, I think from what I can see, though, from what you explained about the arts, that is one place you can cut. You can take a cut there without hurting a great deal.

Dr. CAMPBELL. Personally, I agree with you completely, and I think——

Mr. SMITH. At least you have a place you can cut some without hurting too bad, but a lot of them do not have any place to cut it.

Dr. CAMPBELL. Mr. Chairman, there are a lot of people, of course, who would disagree with you and me on that.

Mr. SMITH. I understand.

Mr. GIBNEY. If I might say a final word, the paradox of our situation is that we feel that for the next three years or so we have the greatest challenge facing us, to try to do as much as we can. As far as I can see, just as a simple private citizen who happens to be a commissioner, if we do our work well, in 10 years we should not have to have a Friendship Commission.

There is not a U.S.-British friendship commission. The problem that we agonize over is it is precisely this year and next year and the year after that we need to feed this beast if we are going to get programs set which in effect, if they work, would probably put us out of business.

Mr. **Smith.** With regard to the arts, you indicated, and I can understand it, that probably a lot of people are not that much interested in Japanese art.

Mr. **Gibney.** I think there are, actually. Just to give you a minority opinion, I think that——

Mr. **Smith.** Not necessarily the minority here. I was just giving my personal opinion.

Mr. **Gibney.** I think that in both countries there is interest both in propagating American art, everything, films, video, all that in Japan; Hollywood sends them all the junk, but it is our obligation to try to tell them there is some pretty good culture here, too.

In the average American city you find a lot more interest in Japanese culture generally than we used to find. People know about the movies and they know about the Kabuki and all that.

Mr. **Smith.** You are not talking about art we send over there.

Mr. **Gibney.** Both ways.

Mr. **Smith.** Do you want to send cowboy movies over there?

Mr. **Gibney.** No. The studios in Hollywood take care of that very nicely. We want to send them something good.

Mr. **Schreiber.** For example, Mr. Chairman, U.S. modern dance is probably on the cutting edge of the creative arts. We send a lot of that to Japan. We send a major creative group to Japan every other year. That costs us $100,000. We want to give the Japanese a taste of the finest of American culture, not just the pop culture. So arts is important in the long term. It is hard to argue when you have more immediate problems, but you cannot ignore it either.

Dr. **Campbell.** But I think it is important. Mr. Gibney made an important point on the arts. What we are trying to do is cut back just to the quality, to a higher quality, but also in terms of broader communications.

Mr. **Smith.** Of course, it costs less to send a movie than it does a troupe, too.

If we have any more questions, we will submit them.

Dr. **Campbell.** Thank you very much, Mr. Chairman. It is always a pleasure to appear before you.

Mr. **Smith.** Thank you.

[Questions for the record and the answers thereto follow:]

QUESTIONS FOR THE RECORD FROM CONGRESSMAN JOSEPH D. EARLY
HOUSE APPROPRIATIONS SUBCOMMITTEE
ANSWERS BY LINDLEY S. SLOAN
JAPAN-UNITED STATES FRIENDSHIP COMMISSION

QUESTION:

1) Could you provide us with some details or examples of short-term programs that the Commission is currently involved in that address the issue of facilitating the understanding of the Japanese and their culture?

ANSWER:

All of the Japan-America societies, which the Commission supports, have programs on the Japanese and their culture. In addition, the Commission supports Japanese exhibitions and performances in the arts in the U.S. (See the Commission's Annual Report for 1984 for examples.) Japanese culture is sometimes the subject of Commission-sponsored television programs; for example, "Changing Japan" is currently being shown on public television. Indirectly, of course, our grants for training, research and library acquisition often result in the dissemination of information on Japanese culture.

QUESTION:

a) Similarly, please provide us with some details or examples of short-term programs or projects that the Commission is currently involved in the attempt to address or lessen the "trade-war".

ANSWER:

The Commission's largest project related to the "trade-war" is that with the Council on Religion and International Affairs. The project is holding a series of panels on sectoral trade problems in the U.S. and Japan, and has produced a bibliography and two newsletters to date (attached). A "Washington Briefing" featuring U.S. Trade Representative Clayton Yeutter was held on March 13. Another recent grant will establish a forum of academic experts on the West Coast who will conduct research and hold seminars for businessmen and policy-makers on U.S.-Japan trade problems. The School of Advanced International Studies in Washington, D. C. has just published a brief analysis of the subject under a Commission grant (copy enclosed). A recent Commission-financed television program dealt with this issue. Additional examples can be found in the attachment to Dr. Glenn Campbell's testimony.

QUESTION:

2) In Dr. Campbell's testimony before the Committee he states that the Commission is "expanding our existing large program of support of graduate schools of business who are incorporating courses on Japanese business organization and practices into their curricula."

a) In what ways, exactly, will you 'expand your support'?
b) Won't 'expanding your support' be difficult in light of your reduced FY 86 funding?

ANSWER:

2) a) & b) Before the Commission's funds were cut, we were supporting six MBA programs which were incorporating Japanese business organization and practices into their curricula, and had decided last April to encourage applications from other schools which had similar interests. While we plan to continue to give this area high priority, expansion will be difficult unless normal funding is restored.

QUESTION:

3) Please provide for the record a list of all learning institutions that applied for grants, scholarships or any other types of assistance from the Commission in 1985.

ANSWER:

Following is a list of all "Learning Institutions" which applied for JUSFC grants in 1985:

*1. Inter-University Center/Stanford University
*2. North Carolina State University
*3. University of Washington
*4. The Johns Hopkins University/SAIS
*5. Dominican College
*6. Cornell University
*7. Keio University
8. Harvard University
*9. University of South Florida/Tampa
*10. Washington State University
*11. University of Tokyo
*12. Doshisha University
*13. Osaka University
*14. Hokkaido University
*15. Kobe University
*16. University of Hawaii

*17. Columbia University
*18. University of Michigan
*19. University of California/Berkeley
*20. University of Pennsylvania
*21. City College of New York
22. University of Wisconsin
*23. Mississippi State University
*24. University of Nevada/Reno

QUESTION:

a) Also provide for the record the institutions that the Commission was actually able to assist. Roughly, what is the percentage of number of applications compared with the number of institutions to which you provided assistance?

ANSWER:

JUSFC approved funding for and was able to assist those institutions listed above which are marked with an asterisk. Of the 42 formal grant proposals which the Commission received from "learning institutions" in 1985, 28 were approved for funding - an approval percentage of 67%.

QUESTION:

4) Briefly describe what criterion was used to determine which institutions would receive what type of assistance, and how much. Are these types of decisions made at the semi-annual Commission meetings?

ANSWER:

Decisions on institutional applications are made on the basis of Commission priorities, quality of the proposal, evidence of competent personnel, adequate facilities, and indication of cost-sharing capacity. In the Commission's early days, major universities having traditional centers of Japanese Studies received the bulk of such institutional support. In recent years, however, the Commission has made a deliberate effort to reach out to non-traditional centers, particularly in the Mid-west, South, and Mountain West, which are interested in developing their capabilities in Japanese Studies. All decisions are made at the semi-annual meetings of the Commission, except for a limited number of small grants under $5,000 which may be made by the Executive Director between meetings.

QUESTION:

a) What impact will your reduced FY 86 appropriation have on the amounts of grants, scholarships, or types of program the Commission will be involved with this fiscal year?

ANSWER:

The Commission has not had a meeting since being informed of the FY 1986 budget cut in early December. Thus, the Commissioners have not had a chance to analyze the impact in depth. A tentative general approach to the problem, however, is set forth in the first paragraph of page five of Dr. Campbell's testimony.

QUESTION:

5) Overall, has the type of programs the Commission has assisted and/or funded changed in the past few years as a result of the escalating "trade-war" and increased tension in U.S.-Japanese relations?

ANSWER:

A general orientation toward greater concern with contemporary issues, particularly trade, took place when Dr. Campbell became Chairman in July, 1983. This trend was accelerated as a consequence of the April, 1985 "policy" meeting of the Commissioners described on page six of Dr. Campbell's testimony. (Ironically, it was just after this milestone that the House took its budget reduction action.)

QUESTION:

6) Once the Commission decides to grant assistance to an institution or program, what kind of follow-up activities is the Commission involved with in the effort to determine the success of the program/grant?

ANSWER:

Each transfer of Commission grant funds to an institution is covered by a formal grant agreement which is signed by both parties. Our agreements, which contain all required clauses and whose format has been approved by the Commission's GSA Legal Counsel, call for final program and financial reports which list all expenditures and provide the Commission with descriptive comment on the actual project funded. These reports are monitored by the Commission's staff and questions/discrepancies are brought to the timely attention of grantees for resolution.

QUESTION:

a) Does the Commission have any oversight/control/feedback over who the individual recipients of Commission grants or scholarships are? Or, is this left solely up to the recipient institution?

ANSWER:

The Commission, given its stringent staffing and funding limitations, must deal primarily with institutions in the awarding of its grants, and does not attempt to dictate individual recipients of the benefits of its grants. However, every grant proposal receives a thorough screening and analysis by the Commission's staff, and the Commission as a whole considers each proposal and votes on the award. Proposals from learning institutions frequently provide information on proposed recipients of assistance, depending on the nature of the proposal. The Commission rejects or defers grant requests when the nature of the benefits is not clear or when a delineated budget is not provided.

QUESTION:

b) If this procedure is left entirely up to the recipient institution, does the Commission ever follow-up on how the institution determines what individuals receive assistance and how each amount was determined?

ANSWER:

The Commission receives information on how its grant funds are used, including individual benefits as appropriate, through the final grant reports referred to above.

QUESTION:

7) It is my understanding that there are presently 16 Japan-America societies throughout the U.S. What efforts has the Commission made to increase the amount of Japan-American societies?

ANSWER:

The Commission is not necessarily seeking to create new Japan-America societies, but is responsive to local initiatives. The creation of a Japan-America society, and especially one with the interest and ability to sponsor an active public affairs program on U.S.-Japan issues (the principal reason for Commission funding) is a complex process. Local interest, leadership, organization, and potential for long-term self-sustaining corporate and individual membership must be present before the Commission will consider entering into a funding relationship.

QUESTION:

a) You also stated that the Commission financially helps to support these Japan-American societies in the first three to five years, when they are first getting established. Could you provide us with some specific details in this regard? Specifically, could you provide us with the list of societies you have assisted in the past? And, how much assistance you provided?

ANSWER:

Attached is a list of Japan-America societies and other world affairs organizations which have received Commission funding, including amounts received by fiscal year.

QUESTION:

b) Also provide a list of "new" societies that the Commission may be planning to become involved with this year?

ANSWER:

We have received a specific proposal from the new Japan-America Society of Rhode Island, with offices in Providence. We are also exploring possibilities with groups in Pittsburgh and San Antonio.

QUESTION:

c) What impact will your reduced FY 86 appropriation have on these activities?

ANSWER:

Three-quarters of all assistance provided to date by the Commission to the Japan-America societies has come from the $2,000,000 gift provided to the Commission by the Japanese government in 1981. Expenditure of these gift funds is outside the appropriations process. However, these funds will be fully expended this year. If we are unsuccessful in our replenishment efforts and if our normal appropriated funding level is not restored in FY 1987, then our assistance to the Japan-America societies will be severely curtailed.

QUESTION:

8) You also mention increasing your public affairs activities this year.

a) Exactly how do you plan to do this?

b) Will you increase the amount of publications the Commission distributes as well?

c) And, what exactly does the Commission expect to accomplish by expanding its public affairs activities?

d) How much money do you anticipate will be involved in this expansion?

ANSWER:

The nature of the questions (a,b,c,d) under this heading lead us to believe our reference to "public affairs" is being mistaken for "public relations". By public affairs, we mean programming with the media and non-profit organizations (e.g., Japan-America societies) on U.S.-Japan relations. We do not intend to increase our spending for public relations. To the contrary, the FY 1986 budget cut has even forced us to delay publication of our basic Annual Report for 1985.

TUESDAY, MARCH 11, 1986.

FEDERAL COMMUNICATIONS COMMISSION

WITNESSES

MARK S. FOWLER, CHAIRMAN.
EDWARD MINKEL, MANAGING DIRECTOR.
BERT HALPRIN, CHIEF OF THE COMMON CARRIER BUREAU.
BILL JOHNSON, DEPUTY CHIEF OF THE MASS MEDIA BUREAU.
BOB FOOSANER, CHIEF OF THE PRIVATE RADIO BUREAU.

Mr. SMITH. I think we will get started. We have so many meetings going on this morning I do not know how many Members will be here, but some others will show up later.

This morning we will review the budget request for fiscal year 1987 for the FCC. The request is for $96,363,000. That is an increase of $6,022,000 over the 1986 level after it was adjusted for the sequestration of $4,059,000.

Is that correct?

Mr. MINKEL. Yes, sir.

Mr. FOWLER. Yes, sir.

[The justifications follow:]

FEDERAL COMMUNICATIONS COMMISSION

Salaries and Expenses

Fiscal Year 1987:

Congressional Appropriation for FY 1986	$94,400,000
Indefinite Appropriation to relocate the Ft. Lauderdale Monitoring Station	683,000
TOTAL FY 1986	$95,083,000
Appropriation Request FY 1987	$96,363,000

* *

APPROPRIATION LANGUAGE FY 1987

FEDERAL COMMUNICATIONS COMMISSION

SALARIES AND EXPENSES

For necesary expenses for the Federal Communications Commission as authorized by law, including uniforms anad allowances therefore, as authorized by law (5 U.S.C. 5901-02); not to exceed $700,000 for land and structures; not to exceed $200,000 for improvement and care of grounds and repair to buildings; not to exceed $3,000 for official reception and representation expenses; purchase (not to exceed ten) and hire of motor vehicles; special counsel fees; and services as authorized by 5 U.S.C. 3109; $96,363,000. Not to exceed $300,000 of the foregoing amount shall remain available until September 30, 1988, for research and policy studies.

Departments of Commerce, Justice, and State, the Judiciary, and Related Agencies Appropriations Act, 1986 (P.L. 99-180)

INTRODUCTION

The Federal Communications Commission is proposing a Fiscal Year 1987 budget of $96,363,000 and 1,855 positions. This represents an increase of $1,963,000 and 20 positions over our Fiscal Year 1986 appropriation.

Over the past several years, the Commission has tried to do more with less, and we believe we have been extremely successful in our efforts. By critically examining our programs and reordering priorities, and through judicious capital investments for automated data processing, we have increased radio licensing productivity by 21 percent in the private radio services and 30 percent in radio and TV licensing. We have also improved speeds of service in most of our applications processing programs. In addition, we have reviewed almost 80 percent of our rules and have proposed to eliminate or have already eliminated 15 percent of them. An additional 46 percent have been or will be modified.

Beyond keeping up with the current workload, we have authorized a myriad of new or expanded services and other changes to increase the value of telecommunications to the public including: cellular telephones, low power television, direct broadcast satellite, increased hours of operation for daytime radio stations, and additional AM clear channel stations. We have opened up 689 new FM allocations. We have also promoted competition in the international area by authorizing separate satellite systems, liberalizing earth station ownership and eliminating voice/record restrictions. We have implemented divestiture and the massive repricing of interstate long distance telephone service in the Access Charges proceeding.

We have accomplished these tasks with a 12.4 percent decrease in workyears between Fiscal Year 1981 and Fiscal Year 1986. For example, at the beginning of Fiscal Year 1985, we realized that if we were to continue to fill vacancies during the fiscal year, we would experience a shortfall in our compensation and benefit accounts of over $2 million. Therefore, a hiring freeze was initiated to reduce our full-time permanent positions and workyears at the end of FY 1985 from a ceiling of 1,974 full-time permanent positions to 1,818 full-time permanent positions. Except for a 17 position programmatic increase authorized in FY 1986, our FY 1987 base request reflects the lower number of positions established in FY 1985.

For FY 1987 we are proposing a very modest increase of 20 full-time positions primarily to enable us to keep pace with the tens of thousands of applications for new licenses expected in FY 1987. Deregulation has stimulated new growth and demand for radio licenses. It is vital that we process these applications fairly and expeditiously. The demand for private radio spectrum and public safety channels is also increasing. Meeting this demand will require innovative spectrum allocation techniques. We must also encourage new technologies in order to make optimum use of the radio spectrum.

In order to meet this burgeoning workload, we have emphasized the use of automation to further improve staff productivity. To keep pace with the expected increases in application receipts as well as to improve the effectiveness of our current automated systems, we are proposing several ADP enhancements in this budget. For example, we are planning to expand the use of automation to facilitate communications with and among our field facilities. This will improve our monitoring and investigations capabilities. In addition, we are proposing automation to meet our recordkeeping workload by employing a state-of-the-art document storage and retrieval system.

Additionally, we are requesting an increase in field operations personnel to maintain an acceptable level of response to public requests for information and complaints of interference. The rapid development of telecommunications technology resulting from deregulation has dramatically increased interference problems in a number of services. Among the most significant is the interference in the safety services. An increase in the size of our field monitoring and enforcement staff is essential to ensure adequate efforts to detect "safety of life" situations and to protect the public interest.

We are also requesting resources to complete the initial systems design of a new Uniform System of Accounts (USOA) database. The resources would provide applications programming to develop the new USOA database for the Common Carrier Activity.

Outlined below is a summary of the several components of our Fiscal Year 1987 Budget Request:

	DOLLARS	FTP POS.
FY 1986 Appropriation	$94,400,000	1,835
Less: One-time FY 1986 Costs associated with:		
o ADP equipment automation and upgrading	$- 305,000	
o Office space reduction workorders	$- 110,000	
o Rental of ADP hardware for LPTV and completion of lease/purchase of our Xerox 9700 electronic printer	$- 318,000	
o Relocation of Sabana Seca site	$- 391,000	
o ADP production support to automate the new Cable Television equal employment opportunity program	$- 67,000	

o ADP service contracts for Class I-A clear channel license applications	$- 60,000
o Departmental telephones in conjunction with space relocations	$- 30,000
o Office equipment/furniture	$- 29,000
Total One-time FY 1986 costs	$-1,310,000
Plus: Uncontrollable FY 1987 fixed cost increases/decreases:	
o GSA office space rental reduction estimates	$- 342,000
o Printing cost increases	$+ 37,000
o Departmental telephone services	$+ 63,000
o Subscription and library reference material cost increases	$+ 36,000
o ADP equipment maintenance and service contracts	$+ 133,000
o Annualization of new FY 1986 positions	$+ 130,000
o Accident compensation cost needed to reimburse the Department of Labor	$+ 12,000
o Restoration of funding to support authorized FY 1987 positions	$+ 504,000
o Miscellaneous	$+ 68,000
Total FY 1987 Fixed Costs	$+ 641,000
Plus: Programmatic Increases:	
o Increased use of automation	$+1,203,000
o Technical equipment (To replace aging/obsolete equip)	$+ 332,000
o Uniform Systems of Accounts (USOA) (To complete primary system development)	$+ 280,000

o Field Operations (To improve monitoring/investigations)	$+ 256,000	10
o Mass Media (To handle Low Power "window"/complex TV license assignments/transfers)	$+ 132,000	5
o Common Carrier (To handle depreciation rate studies/ reference room files/computer databases)	$+ 55,000	3
o Debt Collection and technical support to ADP for new computer systems	$+ 47,000	2
o Other	$+ 327,000	
Total Programmatic Increase	$+2,632,000	20
Total FY 1986 Budget Request	$96,363,000	1,855

Additional details on our budget request for FY 1987 can be found in the Summary Charts following this section, in each Activity description, and the Other Obligations section at the end of our budget request.

FEDERAL COMMUNICATIONS COMMISSION
FY 1987
SUMMARY OF CHANGES

SUMMARY OF CHANGES	FY 1987 Request Perm. Pos.	FY 1987 Request Amount
Appropriation, FY 1986	1,835	$94,400
Indefinite appropriation to fund Ft. Lauderdale Monitoring Station relocation, FY 1986	- -	+ 683
Subtotal	1,835	$95,083
A. **Built-In Changes**:		
Compensation and benefits	- -	$ - 245
Travel and transportation of persons	- -	+ 156
Transportation of things	- -	+ 135
Rents, communications, utilities	- -	+ 339
Printing and reproduction	- -	+ 149
Other services	- -	- 98
Supplies and materials	- -	+ 16
Equipment	- -	- 397
Land, buildings and structures	- -	- 97
Subtotal	- -	$ - 42
B. **Program Decreases**:		
Commissioners	- -	$ - -
Mass Media	- -	- 418
Common Carrier	- -	- 45
Private Radio	- -	- 146
Field Operations	- -	- 460
Science and Technology	- -	- 28
Support	- -	- 213
Subtotal	- -	$-1,310

	FY 1987 Request	
	Perm. Pos.	Amount
C. Program Increases:		
Commissioners	- -	$ - -
Mass Media	+ 5	+ 304
Common Carrier	+ 3	+ 465
Private Radio	- -	+ 69
Field Operations	+10	+ 872
Science and Technology	- -	+ 143
Support	+ 2	+ 779
Subtotal	+20	$+2,632
Total, net change	+20	+1,280
Total appropriation requested, FY 1987	1,855	$96,363

A. Built In Changes:

Compensation and Benefits - Increased requirement is the result of annualized funding requirements for new FY 1986 positions for the Mass Media Activity, funding to meet the Department of Labor's Employees Compensation Fund requirement; and the restoration to other accounts of funds reallocated in FY 1986 to meet a one-time reduction and projected deficit in our personnel compensation and benefits account.

Travel - Increase represents a restoration of funds reallocated from these accounts in FY 1986 to meet unanticipated program requirements. These restored funds will be required to meet program requirements in this account in FY 1987.

Transportation of Things - Increase represents a restoration of funds reallocated from these accounts in FY 1986 to meet unanticipated program requirements. These restored funds will be needed in these accounts in FY 1987 to meet program requirements.

Rents, Communications, Utilities - Increased requirement is the net result of increased costs for the Honeywell mainframe computer upgrade and maintenance, plus increased costs for access tariff and other increases in departmental and field telephones, plus increased rates for private line teletype service and utilities plus a restoration of funds reallocated from these accounts in FY 1986 to meet unanticipated program increases, offset by anticipated cost decreases for office space rental due to the new RENT system to be initiated in FY 1987 by the General Services Administration. The restored funds will be required in these accounts in FY 1987 to meet program requirements.

Printing and Reproduction - Increased requirement is due to expected cost increases for printing Commission decisions, rules and regulations, forms, publications ADP computer microform and miscellaneous material, as well as, the restoration of funds reallocated from these accounts in FY 1986 to meet unanticipated program requirements. It is projected that these restored funds will be required in these accounts in FY 1987.

Other Services - Decreased requirement is the net result of additional funds to meet anticipated cost increases for field facilities maintenance, ADP production support, other maintenance and service contracts, and security services, offset by a reduction in FY 1987 for funds reallocated to these accounts in FY 1986 to meet unanticipated program requirements and now restored to other accounts. The reduction in funds for these accounts will be requred in FY 1987 in these other accounts to meet program requirements.

Supplies and Materials - Increased requirement is the net result of additional funds needed to meet expected costs increases for periodicals and subscriptions, duplicating plant supplies, departmental and ADP supplies, and library reference materials, partially offset by a reduction in FY 1987 for funds reallocated to these accounts in FY 1986 to meet unanticipated program requirements and now restored to other accounts. It is projected that these funds will be required in these other accounts in FY 1987.

Equipment - Decreased requirement represents the net result of a reduction in these accounts for non-recurring costs associated with the relocation and reconstruction of the Ft. Lauderdale Monitoring Station in FY 1986. This decrease is partially offset by a restoration of funds reallocated from these accounts in FY 1986 to meet unanticipated program requirements. It is projected that these restored funds will be required in these accounts in FY 1987.

Land, Buildings, Structures - Decreased requirement represents the net result of a decrease to these accounts for the non-recurring costs associated with the relocation and reconstruction of the Ft. Lauderdale Monitoring Station in FY 1986. This decrease is partially offset by a restoration of funds reallocated from these accounts in FY 1986 to meet unanticipated program requirements. It is projected that these restored funds will be required in these accounts in FY 1987.

B. Program Decreases:

Mass Media - Decrease represents one-time FY 1986 costs associated with the completion of a lease/purchase agreement on the Low Power Television Analytic minicomputer, ADP production support to automate a new cable EEO program, ADP service contracts to procure software and training to bring a clear channel minicomputer on line, terminals and printer stands to support Clear Channel and Radio Marti automation and the Activity's share of the completion of a lease/purchase agreement for a Xerox 9700 printer.

Common Carrier - Decrease represents one-time costs during FY 1986 associated with purchase of Land Mobile computer equipment and the Activity's share of the completion of a lease/purchase agreement for a Xerox 9700 printer.

Private Radio - Decrease represents one-time FY 1986 costs associated with ADP equipment and furniture purchased to support the Automated Land Mobile Application Processing System (ALMAPS), the upgrade of the minicomputer at the Commission's licensing facility in Gettysburg, PA and the Activity's share of the completion of a lease/purchase agreement for a Xerox 9700 printer.

Field Operations - Decrease represents one-time costs incurred during FY 1986 for the relocation of the Sabana Seca direction-finding site, ADP equipment to further enhance the automated field network, and the Activity's share of the completion of a lease/purchase agreement of a Xerox 9700 printer.

Science and Technology - Decrease represents non-recurring FY 1986 costs for ADP equipment and furniture to support the FY 1985-86 Space World Administration Radio Conference (WARC) and the Activity's share of the completion of a lease/purchase agreement for a Xerox 9700 printer.

C. **Program Increases:**

Mass Media - Increase represents additional funding needed to evaluate and further develop two computer models required to enhance the speed and accuracy in processing applications/waiver requests; to provide service contract support and supplies to meet anticipated increased filings expected with the nationwide "open window" for Low Power Television license applications; provide ADP color graphics equipment to allow for complete automation of the AM interference study program for the International Frequency Review Board and expanded office automation capabilities in the Enforcement and Hearing, and Policy and Rulemaking programs. Also includes compensation and benefits for one position to provide prompt decisions on complex television assignment and transfer applications, one position to provide support to the public reference room to maintain filings for Low Power TV, FM and AM applications which are expected to increase in FY 1987 and three positions for file clerks to meet the workload requirements of the nationwide Low Power Television "open window."

Common Carrier - Increase represents additional funding to complete the primary systems development and initiation of a new Uniform System of Accounts (USOA) data base. Funds will provide production support, ADP supplies, maintenance, and furniture. Increase also provides for personal computers to improve staff productivity in the accounting and audits program, and additional ADP hardware, software, maintenance and furniture required to provide modern plotters to upgrade engineering methods for the Microwave Multipoint Distribution, Satellite, and Land Mobile services. Also includes compensation and benefits for three positions to maintain processing standards for rate depreciation studies and to improve a number of critical automated databases.

Private Radio - Increase represents additional funds for ADP equipment and support services to enhance our Automated Land Mobile Applications Processing System (ALMAPS) and ADP hardware and maintenance required to perform complex engineering analyses at the Commission's Gettysburg, PA, licensing facility.

Field Operations - Increase represents additional funding needed to replace obsolete technical equipment necessary field monitoring and enforcement activities, for expanding the field microcomputer network, and for compensation and benefits for providing ten additional positions to improve the monitoring and investigations work of the Commission's field offices.

Science and Technology - Increase represents additional funding needed to purchase technical equipment to improve evaluation and testing capabilities of radio frequency emitting equipment under the equipment authorization program; to purchase sample devices used in the post-grant sampling program; to provide ADP hardware, software, maintenance and furniture to automate the coordination/registration of proposed satellite networks; to provide for the short-term rental of specified technical equipment for use by the Technical Analysis program; to continue a joint project with the Environmental Protection Agency to evaluate radio frequency radiation hazards, and to replace an obsolete telephone system at the Laurel, Md. Laboratory.

Support - Increase represents additional funding required to provide production support for programming needed to develop new automated programs throughout the Commission, and to provide a state-of-the-art document storage and retrieval system. Also included is additional compensation and benefits and support funding for one position to develop a financial management program to begin to comply with the requirements of the Debt Collection Act and one position to support new computer systems throughout the Commission. Funds are also included here to increase ADP service contracts to provide increased use of information retrieval systems; to perform additional security investigations of new Commission employees; and for additional software for the Legal Services program for records maintenance, referral, and retrieval.

FEDERAL COMMUNICATIONS COMMISSION
BUDGET AUTHORITY
(Dollars in thousands)

Comparison by Activities:	FY 1986 Adjusted Appropriation		Base for FY 1987		FY 1987 Request	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Commissioners.............	36	$ 2,169	36	$ 2,182	36	$ 2,197
Mass Media................	436	21,660	436	21,681	441	22,022
Common Carrier............	352	18,753	352	18,492	355	19,388
Private Radio.............	212	9,502	212	9,808	212	9,770
Field Operations..........	401	20,234	401	19,273	411	20,227
Science and Technology....	104	5,966	104	6,220	104	6,105
Support...................	294	16,799	294	16,075	296	16,654
Total..............	1,835	$95,083	1,835	$93,731	1,855	$96,363

TABLE OF CONTENTS

	Page
Budget in Brief	1
Summary Tables	2
Activity Table	11
Organization Table	14
I. Commissioners	17
II. Mass Media Activity	23
III. Common Carrier Activity	64
IV. Private Radio Activity	100
V. Field Operations Activity	115
VI. Science and Technology Activity	133
VII. Support Activity	161
Other Obligations	198

FEDERAL COMMUNICATIONS COMMISSION
JUSTIFICATION OF PROGRAM AND PERFORMANCE
(Dollars in thousands)

Activity: COMMISSIONERS

FY 1986 Adjusted		FY 1987		
			Budget Estimate	
Pos.	Amount	Authorization[1]	Pos.	Amount
36	$ 2,169		36	$2,197

Objectives: To create, to the maximum extent possible, an unregulated competitive marketplace environment for the development of telecommunications; to eliminate unnecessary regulations and policy; to provide service to the public in the most efficient, expeditious manner possible; to promote the coordination and planning of international communications which assures the vital interest of the American public in commerce, defense, and foreign policy; and to eliminate government actions that infringe upon the freedom of speech and the press.

Activity: MASS MEDIA

FY 1986 Adjusted		FY 1987		
			Budget Estimate	
Pos.	Amount	Authorization[1]	Pos.	Amount
436	$21,660		441	$22,022

Objectives: To expeditiously process applications and permits for the broadcast and cable service (e.g., construction permits, operating licenses, renewal/assignment/transfer authorizations, and notifications or petitions for broadcast-related services); to develop, evaluate and review policies and rules, including those directly related to programming, to ensure efficient use of the spectrum, guarantee First Amendment rights, and encourage opportunities for new and improved services through diversity and competition; and to ensure that international agreements and technical operating procedures for establishing spectrum rights and privileges are consistent with national and domestic requirements.

Activity: COMMON CARRIER

FY 1986 Adjusted		FY 1987		
			Budget Estimate	
Pos.	Amount	Authorization[1]	Pos.	Amount
352	$18,753		355	$19,388

Objectives: To pursue policies which encourage diversity, innovation, competition and the development of new services in the common carriers; to pursue and review policies and procedures on international common carrier telecommunication matters which represent the best interests of the United States, eliminating or modifying those that are shown to be unnecessary and unduly burdensome; and to collaborate with the states in studies of federal-state common carrier telecommunications regulatory matters.

Activity: PRIVATE RADIO

FY 1986 Adjusted		FY 1987		
			Budget Estimate	
Pos.	Amount	Authorization[1]	Pos.	Amount
212	$ 9,502		212	$9,770

Objectives: To respond to the telecommunications requirements of the public to meet all personal safety and protection of property needs; to increase the efficiency of all application processing procedures in the private radio services; to prepare national proposals at international forums which affect all radio service groups; and to systematically review all services to identify rules, policies and procedures which can be eliminated.

Activity: FIELD OPERATIONS

FY 1986 Adjusted		FY 1987		
			Budget Estimate	
Pos.	Amount	Authorization[1]	Pos.	Amount
401	$20,234		411	$20,227

Objectives: To provide the public with greater user benefits of the various radio services through the resolution of interference problems and complaints; to promote aviation safety by regulating radio antenna structure marking and lighting; to assure safety of life and property by performing on-the-air technical measurements and inspections; to strengthen international relationships involving communications, particularly with Canada and Mexico; and to ensure that the Commission's field based enforcement and public service goals are achieved in the most efficient, expeditous manner possible.

Activity: SCIENCE AND TECHNOLOGY

FY 1986 Adjusted		FY 1987		
			Budget Estimate	
Pos.	Amount	Authorization[1]	Pos.	Amount
104	$ 5,966		104	$6,105

Objectives: To obtain maximum use of the radio frequency spectrum through technical and scientific regulations that foster minimum marketplace constraints; to represent and advance U.S. communications interests at international conferences; to administer an effective program that provides the public, the Commission, and Congress with technical expertise in the development, modification or elimination of rules concerning further entries into the marketplace; and to simplify equipment authorization procedures to allow for the self-verification of new equipment, whenever possible.

Activity: SUPPORT

FY 1986 Adjusted		FY 1987		
			Budget Estimate	
Pos.	Amount	Authorization[1]	Pos.	Amount
294	$16,799		296	$16,654

Objectives: To provide efficient management support to Commission bureaus and offices by providing administrative and legal services; to coordinate inter-bureau policy; to disseminate and publish Commission actions and decisions; to execute the Commission's emergency communications and preparedness capability functions; to provide effective personnel and financial resource management; and to promote a Commission information management system that promotes increased productivity and reduces the regulatory burden to the public.

BUDGET IN BRIEF
(Dollars in Thousands)

	1985 Actual	1986 Est.	1987 Est.	Change
APPROPRIATIONS:				
Congressional Appropriaton......................	$ 93,611	$ 94,400	$ 96,363	$ +1,963
Indefinite Appropriation to fund the Relocation of the Ft. Lauderdale Monitoring Station.......	+ 8	+ 683	- -	- 683
Add, Supplemental Pay Raise......................	+ 1,830	- -	- -	- -
Less, Lapsed Appropriation.......................	- 10	- -	- -	- -
Available for Obligation.........................	$ 95,439	$ 95,083	$ 96,363	$ +1,280
DISTRIBUTION OF OBLIGATIONS:				
Personnel Compensation...........................	$ 64,530	$ 64,148	$ 64,229	$ + 81
Personnel Benefits...............................	7,538	7,508	7,616	+ 108
Benefits for Former Personnel....................	80	100	100	- -
Other Obligations................................	23,291	23,327	24,418	+1,091
Total..	$ 95,439	$ 95,083	$ 96,363	$ +1,280
POSITIONS AND WORKYEARS:	1818/1956	1835/1866	1855/1868	+20/+2
Total Full-Time Equivalents (FTEs)/ Full-Time Permanent FTEs......................	1929/1876	1856/1808	1858/1809	+ 2/+1

SUMMAR BLES
(Dollars i .ousands)

- - The following tables depict the distribution of work effort, personnel compensation and benefits and other obligations for Fiscal Year 1986:

POSITIONS, WORKYEARS AND FTEs	FY 1985 Actual			FY 1986 Est.			FY 1987 Est.			Change		
	Pos.	FTEs	WY	Pos.	FTEs	WY	Pos.	FTEs	WY	Pos.	FTEs	WY
I. Commissioners...........	36	36	37	36	35	35	36	34	35	- -	- 1	- -
II. Mass Media..............	418	450	453	436	438	438	441	441	442	+ 5	+ 3	+ 4
III. Common Carrier..........	354	351	354	352	343	343	355	351	354	+ 3	+ 8	+11
IV. Private Radio...........	212	228	232	212	213	216	212	212	215	- -	- 1	- 1
V. Field Operations........	402	431	440	401	408	409	411	412	412	+ 10	+ 4	+ 3
VI. Science & Technology....	104	113	114	104	101	101	104	100	101	- -	- 1	- -
VII. Support................	292	320	326	294	318	324	296	308	309	+ 2	- 10	-15
Total................	1,818	1,929	1,956	1,835	1,856	1,866	1,855	1,858	1,868	+ 20	+ 2	+ 2

PERSONNEL COMPENSATION	FY 1985 Actual	FY 1986 Est.	FY 1987 Est.	Change
	$ 64,530	$ 64,148	$ 64,229	$+ 81

PERSONNEL BENEFITS	FY 1985 Actual	FY 1986 Est.	FY 1987 Est.	Change
Retirement..................	$ 4,407	$ 4,322	$ 4,163	$- 159
Life Insurance..............	129	120	112	- 8
Social Security.............	297	378	480	+ 102
Medicare....................	699	771	771	--
Health Insurance............	1,673	1,534	1,534	--
Accident Compensatiion.......	95	108	120	+ 12
Moving & Related Expenses....	98	120	281	+ 161
Cost of Living Allowance.....	140	155	155	--
Total................	$ 7,538	$ 7,508	$ 7,616	$+ 108

BENEFITS FOR FORMER PERSONNEL	FY 1985 Actual	FY 1986 Est.	FY 1987 Est.	Change
Total................	$ 80	$ 100	$ 100	$ --

OTHER OBLIGATIONS BY OBJECT CLASS	FY 1985 Actual	FY 1986 Est.	FY 1987 Est.	Change
21 Travel & Trans. of persons..	$ 743	$ 832	$ 1,062	$+ 230
22 Transportation of things....	239	229	367	+ 138
23 Rents, communications, util.	13,523	13,229	13,397	+ 168
24 Printing....................	1,668	1,575	1,724	+ 149
25 Other Services..............	2,763	3,244	3,848	+ 604
26 Supplies & Materials........	1,333	1,304	1,370	+ 66
31 Equipment...................	2,869	2,353	2,536	+ 183
32 Land, buildings, structures.	139	547	100	- 447
42 Insur. claims & idemnities..	14	14	14	--
Total..................	$ 23,291	$ 23,327	$ 24,418	$+1,091

SUMMARY
(Dollars in thousands)

Personnel Compensation	$+ 81
Personnel Benefits	$+ 108
Other Obligations	$+1,091

Personnel Changes by Activity

- - We are proposing an increase of 20 positions in FY 1987. The increase in Personnel Compensation and Benefits is for additional positions for the Field Operations, Mass Media, Common Carrier and Support Activities, for funds required to annualize or provide full year funding for the new FY 1986 positions required to implement the Cable Communications Policy Act of 1984 (P.L. 98-549), and for funds needed to reimburse the Department of Labor Employees Compensation Fund. These increases are offset by a reduction in the personnel compensation and benefits accounts to restore funds to other accounts from which they were reallocated in FY 1986 to meet unanticipated program requirements. These funds are projected to be needed in these other accounts in FY 1987.

I.	Commissioners	No change
II.	Mass Media	+5 positions

- - Of the additional positions requested, one is for a public reference room clerk to handle the increased workload created by Low Power Television (LPTV), FM and AM filings for authorization of service, one is for an attorney/advisor to meet the workload caused by more complex television license assignments and transfer applications, and three are needed to hire file clerks to support the LPTV Branch in processing an expected increased number of applications during a national LPTV "open window."

III.	Common Carrier	+3 positions

- - Of the three positions, one will be used to hire a clerk to process depreciation rate studies, annual updates to rate filings and respond to various requests for information; one is needed for an additional contact represeentive to provide necessary support for developing and maintaining the central files and public reference room as well as assist with data entry and other administrative tasks; and one is required for a programmer analyst to maintain and improve a variety of critical database systems as well as to assist in relocating systems from our Honeywell mainframe computer to minicomputers.

IV. Private Radio...................... No change

V. Field Operations.................. +10 positions

-- An increase of 10 positions is requested by the Field Operations Activity in FY 1987. It's Monitoring program will require seven additional positions to keep the monitoring network completely operational. Without increased support the capability to respond to requests for assistance in search and rescue situations on a twenty-four hour per day basis would be greatly jeopardized. The positions are necessary to ensure adequate response to emergency preparedness situations on behalf of the Commission. The Inspections and Investigations Program will require two additional positions to maintain support to other Commission programs and allow for random inspection of broadcast and cable facilities to ensure compliance with Commission rules and regulations. The Public Service Program will require one additional position to provide adequate response to interference complaints and inquiries. The ability to provide the public with current information on radio services is essential in order to prevent problems in various services.

VI. Science and Technology............ No change

VII. Support............................ +2

-- An increase of two positions is requested for the Support Activity. The Financial Management program will require one position to begin implementing debt collection procedures required by the Budget and Accounting Act (31 U.S.C. 3512) and the Debt Collection Act (P.L. 97-365). This position will help ensure accurate and complete agency accounting records, accurate financial reporting to the U.S. Treasury and OMB, and help prevent loss of receipts, payment of interest penalties and the untimely collection of monies due the government. The Management Services program will require one position to ensure adequate technical support for new computer systems being implemented throughout the Commission.

Other Obligations

Travel and Transportation of Persons..................$+230,000

-- Increases Travel and Per Diem by $156,000 to restore the funds reallocated in FY 1986 from this account.

-- Provides an additional $70,000 for domestic travel funds for the Field Operations Activity. This is required to maintain an acceptable level of response to complaints of interference in the safety radio services.

-- Provides an additional $4,000 for domestic travel funds needed to support the additional positions requested in this budget.

Travel and Transportation of Things...................$+138,000

-- An increase of $135,000 in these accounts represents the restoration of funds reallocated in FY 1986.

-- Increases Shipment of Household Goods by $4,000 to support the additional positions requested in this budget.

-- Reflects a reduction of $1,000 for a non-recurring FY 1986 cost.

Rents, Communications and Utilities...................$+168,000

-- Reduces the requirement for the Rental of Land and Office Space by $456,000. This reduction includes a reduction of $342,000 in our costs for the rental of office space due to GSA's new RENT system and a reduction to restore to other accounts funds reallocated to this account in FY 1986.

-- Increases the Rental of ADP Hardware by $333,000. This net increase includes $21,000 to cover fixed FY 1987 contractual increases, $157,000 to provide a state-of-the-art document storage and retrieval system, $474,000 to restore funds reallocated to this account in FY 1986, offset by a reduction of $217,000 in one-time FY 1986 costs for the completion of a lease-purchase agreement on a Low Power Television/analytic minicomputer and a $101,000 reduction for one-time costs for the lease-purchase of a high speed printer.

-- Increases our Departmental Telephone account by $148,000. This increase is the net result of $58,000 required to cover FY 1987 cost increases, $2,000 to support requirements consistent with our proposed FY 1987 staff increases, $118,000 to restore funds reallocated from this account in FY 1986, partially offset by a reduction of $30,000 for one-time FY 1986 costs associated with telephone changes required by the relocation of Commission employees from 1200 19th Street to 1919 M Street and 2025 M Street.

-- Increases our Field Telephone account by $35,000. Included in this increase is $5,000 to meet fixed cost increases, $2,000 to support the new positions requested in this budget and $28,000 to restore funds reallocated from this account in FY 1986.

-- Increases the Federal Telecommunications Service (FTS) account by $70,000. Included in this increase is $3,000 to support the new positions requested in this budget and $67,000 to restore funds reallocated from this account in FY 1986.

-- Provides an additional $16,000 for the Teletypewriter Service account for fixed cost increases projected for FY 1987.

-- Provides an additional $8,000 in our Utilities account. Included in this net amount is a $19,000 increase to cover expected fixed cost increases and an $11,000 reduction to restore to other accounts funds reallocated to this account in FY 1986.

-- Increases our Miscellaneous Rents, Communications and Utilities account by $14,000. $10,000 is needed to provide the Science and Technology Activity with specialized technical testing equipment and $4,000 to restore funds which were reallocated from this account in FY 1986.

Printing and Reproduction..............................$+149,000

-- Increases the printing of Commission Rules and Regulations account by $4,000, the printing of Forms account by $9,000, and the Computer Output Microform account by $3,000 to cover anticipated fixed cost increases.

-- Increases the printing of Monthly Decisions and Bound Volumes account by $8,000. This is the net result of an additional $15,000 to cover fixed cost increases and a $7,000 reduction to restore funds reallocated to this account from other accounts in FY 1986.

-- Increases by $18,000 our FCC Publications account. Of this amount, $4,000 is required for fixed cost increases and $14,000 represents a restoration of funds which were reallocated from this account in FY 1986.

-- Increases the printing of Federal Register/Code of Federal Regulations account by $94,000 to restore base funds which were reallocated from this account in FY 1986.

-- Increases Miscellaneous Printing by $13,000. Of this amount, $5,000 is to cover anticipated fixed cost increases and $8,000 is for the restoration of funds reallocated from this account in FY 1986.

Other Services......................................$+604,000

-- Increases our Work Authorizations account by $4,000. This is a net figure which includes $50,000 to establish a base level of funding in this account, $5,000 to support the additional positions requested in this budget, $59,000 to restore funds reallocated from this account after establishing a base through a FY 1986 internal reallocation, offset by a reduction of $110,000 for the non-recurring FY 1986 costs associated with relocating our personnel from 1200 19th Street to 1919 M Street and 2025 M Street.

-- Increases our Field Facilities and Grounds Maintenance account by $3,000 to cover anticipated fixed cost increases at our Laurel Laboratory testing facility.

-- Decreases the Repair of Office Equipment account by $11,000. This results from a restoration of funds to other accounts which were reallocated to this account in FY 1986.

-- Increases the Stenographic Reporting Services account by $30,000 to restore funds which were reallocated from this account in FY 1986.

-- We are requesting a $20,000 increase in our Security Investigations account to meet the requirements of Executive Order 10450. This amount is offset by a reduction of $20,000 to restore funds to other accounts which were reallocated to this account in FY 1986.

-- We are requesting a $3,000 increase in our Health Services account to support the additional positions requested in this budget. This amount is offset by a reduction of $3,000 to restore funds to other accounts which were reallocated to this account in FY 1986.

-- Increases our Training account by $9,000. Of this amount $3,000 is required to support the new positions requested in this budget and $6,000 to restore funds reallocated from this account in FY 1986.

— Increases our Graphic Services account by $3,000. This represents a restoration of funds reallocated from this account in FY 1986.

— Increases the Arbitration Costs account by $3,000. This represents a restoration of funds reallocated from this account in FY 1986.

— Provides an increase of $246,000 in our ADP Production Support account. $52,000 is for fixed cost increases in our facilities management and data entry contracts, $250,000 to develop new automated programs throughout the Commission, $7,000 to complete our Field Operations Activity's ADP network and $5,000 to develop a system to begin meeting the requirements of the Debt Collection Act, and $1,000 to restore funds reallocated from this account in FY 1986. These increases are offset by a $67,000 one-time cost reduction for one-time FY 1986 costs associated with the automation of the Cable Television EEO Program.

— Increases our Contractual Program Assistance account by $92,000. This net increase is a result of an additional $280,000 for applications programming to automate the new Uniform System of Accounts (USOA) and an additional $8,000 for a joint project with EPA to study problems related to radio frequency radiation hazards, offset by $196,000 to restore funds to other accounts which were reallocated to this account in FY 1986.

— We are requesting a $35,000 increase in our ADP equipment maintenance account to meet expected cost increases and $45,000 to meet programmatic increases proposed in this budget. These increases are totally offset by a restoration of funds to other accounts which were reallocated to this account in FY 1986.

— Provides an increase of $285,000 for our ADP Service Contracts account. Included in this amount is $15,000 for fixed cost increases to maintain ongoing service contracts, $269,000 for new service contracts, and $61,000 to restore base funds reallocated to this account in FY 1986. These increases are offset by a decrease of $60,000 for one-time FY 1986 costs associated with bringing our Clear Channel minicomputers on-line.

-- We are requesting a $7,000 increase in our Security Services account to meet expected FY 1987 cost increases. This amount is offset by a restoration of funds to other accounts which were reallocated to this account in FY 1986.

-- The increase in our local Conference Fees of $2,000 is to restore funds reallocated from this account in FY 1986.

-- Reduces Miscellaneous Other Services by $62,000. This is the net result of a $9,000 reduction for the completion of one-time miscellaneous work required to install a remote direction-finder in Sabana Seca, Puerto Rico, a $3,000 increase to support the new positions requested in this budget and a $56,000 reduction to restore funds to other accounts which were reallocated to this account in FY 1986.

Supplies and Materials..............................$+66,000

-- We are budgeting for an $18,000 decrease in our Technical Supplies and Materials account for the non-recurring FY 1986 costs associated with relocating our direction-finding array in Sabana Seca, Puerto Rico. This decrease is offset by a restoration of funds reallocated from this account in FY 1986.

-- Increases the Periodicals and Subscriptions account by $29,000 to cover anticipated cost increases in FY 1987.

-- We are requesting a $6,000 increase in our Duplicating Plant Supplies account to meet expected fixed-cost increases. This is offset by a restoration of funds to other accounts which were reallocated to this account in FY 1986.

-- We are requesting a $44,000 increase in our Departmental Supplies account. $30,000 is to support programmatic increases and $14,000 to meet expected cost increases. This amount is offset by a restoration of funds to other accounts which were reallocated to this account in FY 1986.

-- Increases our Field Office Supplies account by $8,000. This increase is a result of $1,000 needed to support the new positions requested in FY 1987 and $7,000 to restore funds reallocated from this account in FY 1986.

-- Increases the ADP Supplies account by $22,000. This net amount includes $10,000 to fund the anticipated increases in the cost of computer supplies, and $37,000 to provide supplies for the increased automation support proposed in this budget, offset by a $25,000 reduction to restore to other accounts funds which were reallocated to this account in FY 1986.

-- Increases our Library Reference Materials account by $7,000 to cover anticipated fixed cost increases.

Equipment..$+183,000

-- Decreases our Technical Equipment account by $217,000. This includes an increase of $266,000 to replace equipment that is over 10 years of age at various monitoring stations, $66,000 for the Science and Technology equipment sampling program and $64,000 to restore funds which were reallocated from this account in FY 1986. These increases are offset by $13,000 for the one-time FY 1986 requirement to relocate our remote controlled direction-finder in Puerto Rico and $600,000 to relocate our Ft. Lauderdale monitoring station.

-- Provides $60,000 for the Purchase of Vehicles account to restore funds which were reallocated from this account in FY 1986.

-- Increases the requirement for ADP equipment by $182,000. This includes an increase of $368,000 for new equipment and $119,000 to restore funds which were reallocated from this account in FY 1986. These increases are offset by a reduction of $305,000 for non-recurring ADP purchases in FY 1986. Of the $368,000 for new equipment, $40,000 will be used to purchase a terminal and printers to support the AM interference study program and $6,000 for the purchase of a plotter to permit automated plotting of the existing and proposed microwave systems for the Mass Media Activity; $31,000 to procure personal computers for the Accounting and Audits staff and plotters to upgrade interference analyses in several licensing programs for the Common Carrier Activity; $51,000 for equipment to provide for implementation of accounting systems to begin to meet the requirements of the Debt Collection Act, a Records Image Processing System, and equipment to enhance utilization of the Radio Marti and Low Power Television minicomputers for the Support Activity; $48,000 to upgrade our Automated Land Mobile Applications Processing System for the Private Radio Activity; $10,000 for a microcomputer to automate the Coordination/Registration of proposed satellite networks for the Science and Technology Activity; and $182,000 for additional terminals to compliment our existing equipment in our Field Operations automation network for the Field Operations Activity.

-- Increases our Other Equipment account by $55,000. $18,000 is required for our Science and Technology Activity to make retail purchases of equipment for the post-grant sampling effort. The remainder represents funds restored to this account which were reallocated in FY 1986.

-- Provides an additional $53,000 for Office Automation furniture to support the ADP equipment requested in this budget.

-- Increases our Telecommunications Equipment account by $50,000. Of this amount, $26,000 is required to replace an obsolete telephone system at our Laurel Laboratory. The remainder represents funds restored to this account which were reallocated in FY 1986.

Land, Buildings and Structures........................$-447,000

-- Provides a $377,000 decrease in our Land account. Of this amount, there is a $280,000 reduction for the non-recurring FY 1986 costs to relocate our direction-finding array at Sabana Seca, an $83,000 reduction for the one-time FY 1986 costs to relocate our Ft. Lauderdale Monitoring Station and a $14,000 reduction to restore to other accounts funds reallocated to this account during FY 1986.

-- Provides a $35,000 decrease for our Buildings account. This is the result of one-time costs in FY 1986 relative to relocating our direction-finding array in Puerto Rico.

-- Provides a $35,000 decrease in our Structures account. This is the result of one-time costs in FY 1986 relative to relocating our direction-finding array in Puerto Rico.

Insurance Claims and Indemnities......................No Change

ACTIVITY TABLE
(Dollars in thousands)

	FY 1985				FY 1986				FY 1987				Change			
	Pos.	FTE	WY	Dollars	Pos.	FTE	WY	Dollars	Pos.	FTE	WY	Dollars	Pos.	FTE	WY	Dollars
I. COMMISSIONERS																
A. Total Personnel Compensation	36	36	37	$ 1,705	36	35	35	$ 1,660	36	34	35	$ 1,689	--	- 1	--	$ + 29
B. Total Personnel Benefits....				170				151				151				--
C. Total Benefits for Former Personnel....................				2				2				2				--
D. Total Other Ob'igations.....				399				356				355				- 1
Total Obligations.........				$ 2,276				$ 2,169				$ 2,197				$ + 28
II. MASS MEDIA																
1. Policy and Rulemaking.....	64	68	69	$ 2,655	64	61	61	$ 2,465	64	61	61	$ 2,465	--	--	--	$ - -
2. Authorization of Service..	244	261	262	7,836	247	251	251	7,889	252	255	256	8,008	+5	+4	+5	+119
3. Enforcement and Hearings..	96	107	108	4,235	111	112	112	4,390	111	111	111	4,350	--	-1	-1	- 40
4. International.............	14	14	14	547	14	14	14	574	14	14	14	574	—	—	—	- -
A. Total Personnel Compensation	418	450	453	$15,273	436	438	438	$15,318	441	441	442	$15,397	+5	+3	+4	+ 79
B. Total Personnel Benefits....				1,777				1,706				1,724				+ 18
C. Total Benefits for Former Personnel....................				18				23				23				—
D. Total Other Obligations.....				4,789				4,613				4,878				+265
Total Obligations.........				$21,857				$21,660				$22,022				$ +362
III. COMMON CARRIER																
1. Accounting and Audits.....	65	47	48	$ 2,040	65	53	53	$ 2,212	67	63	66	$ 2,690	+ 2	+10	+13	$ +478
2. Rate and Service Reg......	122	135	136	5,457	124	125	125	4,945	124	124	124	4,909	- -	- 1	- 1	- 36
3. Auth. of Service & Fac....	147	149	149	5,248	143	145	145	5,352	144	144	144	5,314	+ 1	- 1	- 1	- 38
4. International.............	20	20	21	865	20	20	20	866	20	20	20	866	—	—	—	- -
A. Total Personnel Compensation	354	351	354	$13,610	352	343	343	$13,375	355	351	354	$13,779	+ 3	+ 8	+11	$ +404
B. Total Personnel Benefits....				1,471				1,454				1,501				+ 47
C. Total Benefits for Former Personnel....................				14				18				18				—
D. Total Other Obligations.....				3,583				3,906				4,090				+184
Total Obligations.........				$18,678				$18,753				$19,388				$ +635

ACTIVITY TABLE
(Dollars in thousands)

	FY 1985				FY 1986				FY 1987				Change			
	Pos.	FTE	WY	Dollars	Pos.	FTE	WY	Dollars	Pos.	FTE	WY	Dollars	Pos.	FTE	WY	Dollars
IV. PRIVATE RADIO																
1. Land Mobile Services......	31	29	29	$ 1,180	31	26	27	$ 1,153	31	26	27	$ 1,153	--	--	--	$ - -
2. Authorization of Service..	156	172	176	3,765	156	163	164	3,682	156	163	164	3,682	--	--	--	- -
3. Special Services..........	25	27	27	1,148	25	24	25	1,119	25	23	24	1,092	--	-1	-1	-27
A. Total Personnel Compensation	212	228	232	$ 6,093	212	213	216	$ 5,954	212	212	215	$ 5,927	--	-1	-1	$ - 27
B. Total Personnel Benefits....				723				726				735				+ 9
C. Total Benefits for Former Personnel....................				10				12				12				- -
D. Total Other Obligations.....				2,906				2,810				3,096				+286
Total Obligations........				$ 9,732				$ 9,502				$ 9,770				$ +268
V. FIELD OPERATIONS																
1. Monitoring.................	126	130	134	$ 3,872	126	128	128	$ 3,832	133	133	133	$ 3,964	+ 7	+ 5	+ 5	$ +132
2. Inspections/Investigations	115	125	126	3,710	115	117	117	3,582	117	117	117	3,582	+ 2	--	--	--
3. Public Service............	115	122	126	3,591	114	117	117	3,455	115	116	116	3,443	+ 1	- 1	- 1	- 12
4. Engineering...............	46	54	54	1,698	46	46	47	1,521	46	46	46	1,494	--	--	- 1	- 27
A. Total Personnel Compensation	402	431	440	$12,871	401	408	409	$12,390	411	412	412	$12,483	+10	+ 4	+ 3	$ + 93
B. Total Personnel Benefits....				1,744				1,722				1,809				+ 87
C. Total Benefits for Former Personnel....................				18				23				23				--
D. Total Other Obligations.....				5,488				6,099				5,912				-187
Total Obligations........				$20,123				$20,234				$20,227				$ - 7
VI. SCIENCE AND TECHNOLOGY																
1. Technical Analysis.........	23	28	28	$ 1,134	23	23	23	$ 940	23	22	23	$ 937	--	-1	--	$ - 3
2. Internat. Telecomm. Pol....	12	12	12	497	12	11	11	459	12	11	11	459	--	--	--	--
3. Nat'l Spectrum Mgmt........	23	23	23	961	23	22	22	930	23	22	22	930	--	--	--	--
4. Equip. Stds. & Approval....	43	46	46	1,716	43	43	43	1,591	43	43	43	1,591	--	--	--	--
5. Technology Planning........	3	4	5	206	3	2	2	84	3	2	2	84	--	--	--	--
A. Total Personnel Compensation	104	113	114	$ 4,514	104	101	101	$ 4,004	104	100	101	$ 4,001	--	-1	--	$ - 3
B. Total Personnel Benefits....				485				427				426				- 1
C. Total Benefits for Former Personnel....................				5				6				6				--
D. Total Other Obligations.....				1,945				1,529				1,672				+143
Total Obligations..........				$ 6,949				$ 5,966				$ 6,105				$ +139

I. COMMISSIONERS

This Activity includes the top adjudicatory, policy making, planning and decisionmaking for the Commission's basic functions, including participation in telecommunications policy. This decisionmaking is executed through the agency's five appointed Commissioners.

Financial Requirements:	1985 Act.	1986 Est.	1987 Est.	Change
Personnel Compensation.....	$1,705	$1,660	$1,689	$ +29
Personnel Benefits.........	170	151	151	- -
Benefits for Former Personnel...............	2	2	2	- -
Other Obligations..........	399	356	355	- 1
Total.................	$2,276	$2,169	$2,197	$ +28

Personnel By Program:	1985 Act.		1986 Est.		1987 Est.		Change	
	Pos.	WY	Pos.	WY	Pos.	WY	Pos.	WY
Commissioners..............	36	37	36	35	36	35	--	--

Personnel by Organization:	1985 Act.		1986 Est.		1987 Est.		Change	
	Pos.	WY	Pos.	WY	Pos.	WY	Pos.	WY
Commissioners..............	36	37	36	35	36	35	--	--

Activity Objectives

1. To create, to the maximum extent possible, an unregulated, competitive marketplace environment for the development of telecommunications.

2. To eliminate unnecessary regulations and policies.

3. To provide service to the public in the most efficient, expeditious manner possible.

4. To promote the coordination and planning of international communications which assures the vital interests of the American people in commerce, defense and foreign policy.

5. To eliminate government actions that infringe upon the freedom of speech and of the press.

FY 1985 Objectives/Accomplishments

Objective: To create, to the maximum extent possible, an unregulated, competitive marketplace environment for the development of telecommunications.

Accomplishment:

FCC Adopts Joint Board Recommendations on Subscriber Line Charges, High Cost Assistance, and Measures to Assist Low Income Households

The Commission adopted the recommendations of the Federal-State Joint Board concerning: (1) the use of subscriber line charges as a means of recovering the interstate allocation of non-traffic sensitive (NTS) local exchange costs; (2) modifications to the previously adopted measures for assisting subscribers in areas where the costs of providing telephone service is unusually high; and (3) measures designed to assist low income households to afford telephone service. Specifically, the Commission: implemented a $1.00 per month subscriber line charge for residential and single line business customers effective June 1985, which would increase to $2.00 per month in June 1986 where it would be frozen pending further review; gave local telephone companies, with the concurrence of state regulatory officials or the Joint Board, the flexibility to implement optional alternative interstate tariff provisions for the recovery of carrier common line costs to combat localized bypass problems; indicated that the revenue shortfall would be recovered through a uniform monthly surcharge up to a maximum of $.35 on the subscriber line charge for all customers in the relevant study area.

Narrowband Technologies Authorized for Private Land Mobile Services

The Commission has authorized narrowband technologies for base and mobile communications in the Private Land Mobile Radio Services (PLMRS). Recognizing the utility of narrowband technologies in the private land mobile services, the Commission has amended its rules to permit 5 kHz narrowband channels to be established between existing FM channel assignments. In all private radio services except the Business Radio Service, the new channeling plan results in three narrowband channels being created between every two existing FM channels. In the Business Radio Service six narrowband channels will be created between each pair of FM channels. Because there is no frequency coordinator for Special Emergency, Relay Press, Business and Motion Picture Radio, narrowband assignments are not yet authorized in these services.

Objective: To eliminate unnecessary regulations and policies.
Accomplishment:

Tariff Filing Requirements Eased-Part 61

The Commission amended Part 61 of its rules pertaining to the procedures that common carriers must follow when filing tariffs. Some of the more significant changes include: expanding the exemption from filing cost support material required by the rules to carriers with annual revenues of $500,000 or less; eliminating the requirement that non-dominant carriers notify affected customers when they issue a tariff publication that would increase any rate or charge, or that would discontinue, reduce or otherwise impair service; reducing from 90 to 45 days the notice period required for dominant carrier tariff filings which would change a rate structure, increase a rate, or introduce new service offerings; and reducing from 70 to 35 days the notice period for other tariff filings by dominant carriers.

Policies Governing Interconnection of PLMRS Stations Below 800 MHz with Public Switched Telephone Network Adopted

The Commission adopted policies and regulations governing the interconnection of Private Land Mobile Radio Service (PLMRS) stations below 800 MHz with the public switched telephone network. In a notice released June 12, 1984, the Commission had proposed allowing interconnection in those cities and radio services where it now is prohibited, permitting licensees and users to share telephone service and interconnection equipment rather than to continue obtaining it separately, modifying requirements for special channel monitoring equipment for interconnected operations, and eliminating the rules which placed time limitations on the length of interconnected communications. In amending Part 90 of the rules, the Commission noted that interconnection in the Automobile Emergency, Business, Special Emergency, Special Industrial and Taxicab Radio Services has been prohibited within 75 miles of the 25 largest urban areas. However, modification of the rule will allow licensees in these five services to interconnect if they obtain the consent of all concerned co-channel licensees.

Objective: To provide service to the public in the most efficient, expeditious manner possible.

Accomplishment:

Cellular Lottery Procedures Affirmed, Slightly Refined

The Commission affirmed its April 11, 1984, decision to use lottery procedures to select cellular licensees from among competing applicants in all markets other than the top 30. In doing so it also affirmed the basic regulatory structure established for implementing the lottery process. The Commission modified its policy regarding cumulative lottery chances for applicants entering into partial settlements to eliminate the cumulative chance for nonwireline applicants in markets beyond the top 120. It also modified the one percent ownership rule to make it easier for widely held corporations to participate in cellular ventures, while guarding against improper application practices. For markets beyond the top 120, applicants relying on debt financing will have to provide a firm commitment of funding from a recognized bank or other lending institution.

Commission States Future Policy on Incomplete and Patently Defective AM and FM Construction Permit Applications

To further assist applicants, the Commission issued a Public Notice to advise applicants as to the types of omissions and defects which will render the applications subject to return at the time of tender. They also advised applicants as to the types of omission defects which will result in the return of an application as unacceptable for filing, or outright dismissal. This was done to clarify the policy on applications the FCC receives which are incomplete and patently defective, slowing down processing of grantable applications.

Objective: To promote the coordination and planning of international communications which assures the vital interests of the American public in commerce, defense and foreign policy.

Accomplishment:

FCC Modifies its Earth Station Ownership Policy

The Commission modified its policy on the ownership and operation of U.S. earth stations linked with INTELSAT's global communications satellite system by permitting individual carriers to own and operate these facilities. The Commission found that carrier owned and operated earth stations are technically feasible, create no major economic hurdles, will not significantly affect our foreign partners in INTELSAT, and will result in lower costs and technically superior service to consumers.

AM Technical Rules Amended to Reflect New International Agreements

The Commission has amended its AM technical rules to reflect the recent international agreements resulting from the Final Acts of the Regional Administrative AM Broadcasting Conference (Rio de Janeiro, 1981); and the Bilateral AM Broadcast Agreement between the United States and Canada, signed in 1984. It also noted that a new bilateral agreement between the United States and Mexico is now under negotiation. Specifically, the Commission eliminated the requirement that nominal power be specified only in discrete steps. By removing this requirement, stations which had been unable to increase power sufficiently to reach the next specified power level would be able to seek a lesser increase in power consistent with applicable interference protection requirements.

Objective: To eliminate government action that infringes upon the freedom of speech and of the press.

COMMISSIONERS

Accomplishment:

Further Advice on Ways to Deny Minors Access to Dial-A-Porn Services Sought

The Commission sought further advice on ways to deny minors access to "dial-a-porn" services. The Commission had considered restricting minors access to "dial-a-porn" by requiring "dial-a-porn" services to operate between 9:00 p.m. and 8:00 a.m. Eastern Time, or accept payment by credit card. Those services requiring credit card payment would be permitted to operate 24 hours a day without other restrictions. The U.S. Court of Appeals for the Second Circuit (New York) unvalidated the Commission's decision, finding it had not shown that time channeling was the least restrictive method for protecting youths from "dial-a-porn," and directed the Commission to reexamine the alternatives to determine whether a less restrictive method of protecting youths from "dial-a-porn" exists.

Consistent with the Second Circuit's directives, the Commission adopted a Second Notice of Proposed Rulemaking to develop a more comprehensive and technically complete record on the methods of protecting minors from the messages. As a result of its careful examination of the record, the Commission found that the access/identification code combined with the credit card restriction represents the most effective available means to limit minors' access to the messages but, at the same time, offers the least restriction on adults' access. The regulation was to become effective on December 26, 1985, but Carlin Communications appealed the Commission's decision. As of the publication of this report, the Second Circuit has delayed implementation of the regulation pending its final decision on the appeal.

American Legal Foundation News Distortion Complaint Against CBS Denied

The Commission has denied a complaint by the American Legal Foundation (ALF) against CBS, Inc., concerning the network's news documentary entitled "The Uncounted Enemy: A Vietnam Deception," broadcasted January 23, 1982. The Commission stated that it does not substitute its editorial judgment for that of the broadcaster, and has consistently held that, "Absent extrinsic evidence of an intent to deliberately distort, we cannot--and will not--interfere. Clearly, it would be an inappropriate intrusion for the Commission to look over the shoulder of any broadcast journalist or scrutinize after-the-fact why information was reported in a particular way..... [S]uch scrutiny would involve the Commission deeply and improperly in the journalistic functions of broadcasters."

FY 1986/1987 Objectives

1. To create, to the maximum extent possible, an unregulated, competitive marketplace environment for the development of telecommunications.

COMMISSIONERS

2. To eliminate unnecessary regulations and policies.

3. To provide service to the public in the most efficient, expeditious manner possible.

4. To promote the coordination and planning of international communications which assures the vital interests of the American public in commerce, defense and foreign policy.

5. To eliminate government action that infringe upon the freedom of speech and of the press.

ACTIVITY TABLE
(Dollars in thousands)

	FY 1985				FY 1986				FY 1987				Change			
	Pos.	FTE	WY	Dollars	Pos.	FTE	WY	Dollars	Pos.	FTE	WY	Dollars	Pos.	FTE	WY	Dollars
VII. SUPPORT																
1. Legal Services.............	44	48	48	$ 2,157	45	44	44	$ 2,084	45	43	44	$ 2,092	- -	- 1	- -	$ + 8
2. Plans and Policy...........	18	16	16	798	18	18	18	874	18	17	17	876	- -	- 1	- 1	+ 2
3. Congress. & Pub. Affairs..	27	25	25	891	27	29	29	1,085	27	28	28	1,046	- -	- 1	- 1	- 39
4. Financial Management......	50	52	53	1,393	51	54	55	1,706	52	53	53	1,630	+ 1	- 1	- 2	- 76
5. Management Services........	12	16	16	539	12	14	14	543	13	14	14	543	+ 1	- -	- -	- -
6. Administrative Services...	92	102	105	2,615	90	98	102	2,827	90	96	96	2,644	- -	- 2	- 6	-183
7. Personnel Management......	42	53	55	1,780	44	54	55	2,035	44	50	50	1,829	- -	- 4	- 5	-206
8. Emergency Communications..	7	8	8	291	7	7	7	293	7	7	7	293	- -	- -	- -	- -
A. Total Personnel Compensation	292	320	326	$10,464	294	318	324	$11,447	296	308	309	$10,953	+ 2	-10	-15	$ -494
B. Total Personnel Benefits....				1,166				1,322				1,270				- 52
C. Total Benefits for Former Personnel....................				13				16				16				—
D. Total Other Obligations.....				4,181				4,014				4,415				+401
Total Obligations........				$15,824				$16,799				$16,654				$ -145
COMMISSION TOTALS																
A. Total Personnel Comp.	1,818	1,929	1,956	$64,530	1,835	1,856	1,866	$64,148	1,855	1,858	1,868	$64,229	+ 20	+ 2	+ 2	$ + 81
B. Total Personnel Benefits....				7,538				7,508				7,616				+108
C. Total Benefits for Former Personnel................				80				100				100				—
D. Total Other Obligations.....				23,291				23,327				24,418				+1,091
Total Obligations........				$95,439				$95,083				$96,363				$+1,280

ORGANIZATION TABLE
(Dollars in thousands)

	FY 1985				FY 1986				FY 1987				Change			
PERSONNEL COMPENSATION	Pos.	FTE	WY	Dollars	Pos.	FTE	WY	Dollars	Pos.	FTE	WY	Dollars	Pos.	FTE	WY	Dollars
Office of the Commissioners.....	36	36	37	$ 1,705	36	35	35	$ 1,660	36	34	35	$ 1,689	- -	- 1	- -	$ + 29
Office of the Managing Director																
Immediate Office.................	23	35	35	$ 1,285	23	31	32	$ 1,321	23	28	28	$ 1,181	- -	- 3	- 4	$ -140
Financial Management Div.........	37	36	37	897	37	39	42	1,145	38	39	39	1,054	+ 1	- -	- 3	- 91
Information Resources Plan. Div.	17	16	16	499	17	13	13	456	17	14	14	489	- -	+ 1	+ 1	+ 33
Computer Applications Div.......	41	42	43	1,464	43	47	47	1,726	43	47	47	1,752	- -	- -	- -	+ 26
Information Processing Div......	18	24	24	730	18	19	19	650	19	19	19	650	+ 1	- -	- -	- -
Internal Review & Security Div..	4	6	6	229	4	6	6	258	4	6	6	258	- -	- -	- -	- -
Emergency Communications Div....	6	7	7	261	6	6	6	252	6	6	6	252	- -	- -	- -	- -
The Secretary....................	33	31	32	671	34	34	34	802	34	34	34	802	- -	- -	- -	- -
Personnel Management Div.........	28	33	34	1,081	28	35	35	1,251	28	31	31	1,094	- -	- 4	- 4	-157
Operations Support Div...........	58	65	67	1,649	58	64	66	1,827	58	63	63	1,732	- -	- 1	- 3	- 95
Office Automation Div............	9	10	10	346	9	9	9	351	9	9	9	351	- -	- -	- -	- -
Total Managing Director....	274	305	311	$ 9,052	277	303	309	$10,039	279	296	296	$ 9,615	+ 2	- 7	-13	$ -424
Office of the General Counsel																
Immediate Office.................	9	9	9	$ 400	9	9	9	$ 411	9	9	9	$ 411	- -	- -	- -	$ - -
Administrative Law Div...........	19	23	23	998	19	18	18	803	19	17	18	803	- -	- 1	- -	- -
Litigation Div...................	16	16	16	779	16	16	16	800	16	16	16	800	- -	- -	- -	- -
Adjudication Div.................	9	10	10	492	9	9	9	455	9	9	9	455	- -	- -	- -	- -
Total General Counsel......	53	58	58	$ 2,669	53	52	52	$ 2,469	53	51	52	$ 2,469	- -	- 1	- -	$ - -
Private Radio Bureau																
Office of Bureau Chief...........	12	11	11	$ 415	12	11	11	$ 432	12	11	11	$ 432	- -	- -	- -	$ - -
Land Mobile and Microwave Div...	28	26	26	1,076	28	23	24	1,035	28	23	24	1,035	- -	- -	- -	- -
Special Services Div............	22	24	24	1,014	22	21	22	968	22	20	21	941	- -	- 1	- 1	- 27
Licensing Div....................	132	148	152	2,940	132	140	141	2,840	132	140	141	2,840	- -	- -	- -	- -
Total Private Radio........	194	209	213	$ 5,445	194	195	198	$ 5,275	194	194	197	$ 5,248	- -	- 1	- 1	$ - 27

ORGANIZATION TABLE
(Dollars in thousands)

	FY 1985				FY 1986				FY 1987				Change			
	Pos.	FTE	WY	Dollars	Pos.	FTE	WY	Dollars	Pos.	FTE	WY	Dollars	Pos.	FTE	WY	Dollars
Office of Plans & Policy........	17	15	15	$ 762	17	17	17	$ 835	17	16	16	$ 801	- -	- 1	- 1	$ - 34
Office of Congressional & Public Affairs																
Immediate Office.................	7	7	7	$ 336	7	7	7	$ 357	7	7	7	$ 357	- -	- -	- -	$ - -
News Media Div...................	7	8	8	221	7	9	9	264	7	8	8	225	- -	- 1	- 1	- 39
Consumer Asst. & Small Business.	7	7	7	230	7	7	7	244	7	7	7	244	- -	- -	- -	- -
Legislative Affairs..............	6	3	3	104	6	6	6	220	6	6	6	220	- -	- -	- -	- -
Total Congressional and Public Affairs............	27	25	25	$ 891	27	29	29	$ 1,085	27	28	28	$ 1,046	- -	- 1	- 1	$ - 39
Mass Media Bureau																
Office of Bureau Chief...........	18	19	19	$ 726	18	17	17	$ 676	18	17	17	$ 676	- -	- -	- -	$ - -
Audio Services Div...............	134	137	138	4,095	134	132	132	4,075	135	133	133	4,104	+ 1	+ 1	+ 1	+ 29
Enforcement Div..................	55	61	61	2,206	66	64	64	2,407	66	67	67	2,519	- -	+ 3	+ 3	+112
Policy and Rules Div.............	64	67	68	2,668	64	62	62	2,531	64	62	62	2,531	- -	- -	- -	- -
Video Services Div...............	92	103	103	3,071	95	98	98	3,040	99	101	102	3,161	+ 4	+ 3	+ 4	+121
Total Mass Media............	363	387	389	$12,766	377	373	373	$12,729	382	380	381	$12,991	+ 5	+ 7	+ 8	$ +262
Review Board.........................	9	10	11	$ 488	9	11	11	$ 518	9	8	8	$ 377	- -	- 3	- 3	$ -141
Administrative Law Judges.......	21	25	25	$ 1,117	21	24	24	$ 1,064	21	21	21	$ 931	- -	- 3	- 3	$ -133
Office of Science and Technology																
Chief Scientist Office...........	14	17	17	$ 742	14	13	13	$ 369	14	13	13	$ 369	- -	- -	- -	$ - -
Technical Analysis.Div...........	22	27	28	1,127	22	21	21	846	22	20	21	846	- -	- 1	- -	- -
Spectrum Mgmt. Div...............	26	25	25	1,040	26	25	25	1,041	26	25	25	1,041	- -	- -	- -	- -
Authorization & Standards Div...	37	39	39	1,427	37	37	37	1,356	37	37	37	1,356	- -	- -	- -	- -
Total Science & Technology.	99	108	109	$ 4,336	99	96	96	$ 3,812	99	95	96	$ 3,812	- -	- 1	- -	$ - -

ORGANIZATION TABLE
(Dollars in thousands)

	FY 1985				FY 1986				FY 1987				Change			
	Pos.	FTE	WY	Dollars	Pos.	FTE	WY	Dollars	Pos.	FTE	WY	Dollars	Pos.	FTE	WY	Dollars
Common Carrier Bureau																
Office of Bureau Chief..........	27	26	27	$ 1,038	27	26	26	$ 1,031	27	26	26	$ 1,031	- -	- -	- -	$ - -
Accounting & Audits Div.........	65	47	48	1,897	65	53	53	2,161	68	63	66	2,662	+ 3	+10	+13	+501
Industry Analysis Div...........	16	14	14	666	16	14	14	688	16	15	15	731	- -	+ 1	+ 1	+ 43
Policy & Program Planning Div...	16	14	14	637	16	14	14	657	16	15	15	699	- -	+ 1	+ 1	+ 42
International Policy Div........	12	12	13	557	12	12	12	530	12	12	12	530	- -	- -	- -	- -
International Facilities Div....	12	12	12	436	12	12	12	450	12	12	12	450	- -	- -	- -	- -
Enforcement Div.................	28	41	41	1,505	28	35	35	1,326	28	32	32	1,203	- -	- 3	- 3	-123
Domestic Facilities Div.........	58	56	56	2,057	58	56	56	2,122	58	56	56	2,122	- -	- -	- -	- -
Hearing Div.....................	—	7	7	410	—	—	—	—	—	—	—	—	- -	- -	- -	- -
Mobile Services Div.............	53	57	57	1,884	53	56	56	1,909	53	56	56	1,909	- -	- -	- -	- -
Tariff Div......................	43	41	41	1,578	43	41	41	1,628	43	42	42	1,660	- -	+ 1	+ 1	+ 32
Total Common Carrier.......	330	327	330	$12,665	330	319	319	$12,502	333	329	332	$12,997	+ 3	+10	+13	$ +495
Field Operations Bureau																
Office of Bureau Chief..........	14	16	16	$ 679	14	15	15	$ 659	14	14	14	$ 618	- -	- 1	- 1	$ - 41
Engineering Div.................	14	18	18	653	14	14	14	526	14	14	14	526	- -	- -	- -	- -
Public Services Div.............	14	17	17	431	14	16	16	419	14	14	14	369	- -	- 2	- 2	- 50
Enforcement Div.................	28	29	30	1,008	28	30	30	1,043	28	28	28	977	- -	- 2	- 2	- 66
Atlanta Region..................	62	67	68	1,944	62	62	62	1,835	64	64	64	1,899	+ 2	+ 2	+ 2	+ 64
Boston Region...................	64	68	69	1,901	64	64	65	1,853	65	65	65	1,853	+ 1	+ 1	- -	- -
Chicago Region..................	41	47	48	1,323	41	42	42	1,198	42	42	42	1,198	+ 1	- -	- -	- -
Kansas City Region..............	62	65	67	1,910	62	63	63	1,859	64	64	64	1,893	+ 2	+ 1	+ 1	+ 34
San Francisco Region............	49	48	49	1,380	49	49	49	1,428	50	50	50	1,461	+ 1	+ 1	+ 1	+ 33
Seattle Region..................	47	49	51	1,405	47	47	47	1,340	50	51	51	1,459	+ 3	+ 4	+ 4	+119
Total Field Operations.....	395	424	433	$12,634	395	402	403	$12,160	405	406	406	$12,253	+ 10	+ 4	+ 3	$ + 93
Commission Totals																
Total Pers. Compensation...	1,818	1,929	1,956	$64,530	1,835	1,856	1,866	$64,148	1,855	1,858	1,868	$64,229	+20	+ 2	+ 2	$ + 81
Total Pers. Benefits.......				7,538				7,508				7,616				+108
Total Benefits for Former Personnel................				80				100				100				- -
Total Other Obligations....				23,291				23,327				24,418				+1,091
Total				$95,439				$95,083				$96,363				$+1,280

II. MASS MEDIA

The Mass Media Activity of the Commission consists of the licensing, regulation and development of mass media services. These services include both audio and video services in traditional broadcasting, cable television and emerging television delivery systems. The major portion of this work is performed by the Mass Media Bureau. In addition, the Mass Media Bureau generates a substantial workload for the Office of Administrative Law Judges, the Review Board, the Adjudication Division of the General Counsel's Office, and the Dockets Branch of the Office of the Secretary. The Information Management Staff of the Managing Director's Office provides data processing support for the mass media engineering, applications tracking and statistical functions.

Financial Requirements:	1985 Act.	1986 Est.	1987 Est.	Change
Personnel Compensation..	$15,273	$15,318	$15,397	$ +79
Personnel Benefits......	1,777	1,706	1,724	+18
Benefits for Former Personnel.............	18	23	23	--
Other Obligations.......	4,879	4,613	4,878	+265
Total.................	$21,947	$21,660	$22,022	$+362

Personnel by Program:	1985 Act.		1986 Est.		1987 Est.		Change	
	Pos.	WY	Pos.	WY	Pos.	WY	Pos.	WY
1. Policy & Rulemaking	64	69	64	61	64	61	--	--
2. Authorization of Service............	244	262	247	251	252	256	+5	+5
3. Enforcement and Hearings...........	96	108	111	112	111	111	--	-1
4. International.......	14	14	14	14	14	14	--	--
Total..............	418	453	436	438	441	442	+5	+4

Personnel by Organization:	1985 Act.		1986 Est.		1987 Est.		Change	
	Pos.	WY	Pos.	WY	Pos.	WY	Pos.	WY
Mass Media Bureau.......	363	389	377	373	382	381	+5	+8
Administrative Law Judges................	14	18	19	21	19	19	--	-2
Review Board............	8	10	8	9	8	7	--	-2
Adjudication Division...	10	10	6	6	6	6	--	--
Dockets.................	7	7	8	8	8	8	--	--
Information Management..	16	19	18	21	18	21	--	--
Total..............	418	453	436	438	441	442	+5	+4

Personnel by Service:	1985 Act.		1986 Est.		1987 Est.		Change	
	Pos.	WY	Pos.	WY	Pos.	WY	Pos.	WY
AM......................	114	123	115	117	115	117	--	--
FM......................	146	158	149	149	150	149	+1	--
TV......................	158	172	172	172	176	176	+4	+4
Total..............	418	453	436	438	441	442	+5	+4

MASS MEDIA

Activity Objectives

1. Expeditiously process applications and submissions relating to permits to construct new audio and video stations, operating licenses, renewal and assignment and transfer of such authorizations in the AM, FM, TV, translator, LPTV, auxiliary and other related services; and notifications and petitions for cable television and related services.

2. Plan and develop policies and rules that foster efficient use of spectrum and encourage creation of opportunities for new or improved service, in order to provide for diversity of independent voices and competition.

3. Evaluate the policies and rules relating to the mass media industry to determine whether they are achieving the goals of the Mass Media Activity.

4. Expeditiously develop a full and complete hearing record to determine (a) whether an applicant meets minimum qualifications to receive, or have renewed, a mass media license; (b) among multiple applicants, which one is most qualified to receive the contested license; and (c) whether an existing licensee has failed to meet the requisite obligations of a broadcaster or cable system operator and, if so, what corrective Commission actions are warranted. Dispose of adjudicatory cases in the most expeditious manner possible.

5. Ensure that international agreements and procedures for establishing spectrum rights and privileges are consistent with national requirements; and obtain sufficient spectrum rights and privileges to satisfy domestic needs.

6. Plan for participation in international conferences and meetings to assure that frequencies allocated for mass media services are appropriate and sufficient to meet U.S. needs and that technical standards and operating procedures are consistent with national requirements. Execute international policy and accomplish international objectives in an effective, efficient and timely manner.

7. Review policies and rules that directly affect programming to determine whether they should be modified to be less intrusive of the First Amendment rights of the public and industry.

8. Administer an effective enforcement program that promotes adherence to the goals of the Mass Media Activity.

1. POLICY & RULEMAKING

This program covers all phases of rulemaking for the audio and video services including AM, FM, TV, cable television, direct broadcast satellite and associated auxiliary services. It involves the original planning, both short and long range, and subsequent development of rule proposals, analysis of comments filed on various proposals, and finally the promulgation of new policies or rules. It also involves the comprehensive study and analysis (legal, engineering, social and economic) of various petitions for policy or rule changes submitted by the public or mass media industry. Forms control, re-regulation and rules oversight are also examined under the Policy and Rulemaking program.

Program Personnel:	1985 Act.		1986 Est.		1987 Est.		Change	
	Pos.	WY	Pos.	WY	Pos.	WY	Pos.	WY
Policy and Rulemaking...	64	69	64	61	64	61	--	--

Personnel by Service:	1985 Act.		1986 Est.		1987 Est.		Change	
	Pos.	WY	Pos.	WY	Pos.	WY	Pos.	WY
AM......................	11	12	11	11	11	11	--	--
FM......................	24	25	24	22	24	22	--	--
TV......................	29	32	29	28	29	28	--	--
Total..............	64	69	64	61	64	61	--	--

FY 1985 Objectives/Accomplishments

Objective: Submit agenda items to the Commission that foster efficient use of the spectrum and encourage the creation of opportunities for new or improved service to the public. Specific items will include: Report and Orders on: TV multichannel sound "must carry", Canadian and Mexican AM Class I-A clear channels, and Docket No. 84-231 - allotment of 684 new FM channels.

Accomplishment: During FY 1985, the Bureau submitted a number of agenda items to the Commission dealing with issues designed to foster the efficient use of the spectrum and to provide new or improved service to the public. Those items include:

(1) Multi-Channel Television Sound (MTS): The Commission adopted a Memorandum Opinion and Order in which it declined to act on the question of mandatory carriage rules for MTS at this time, since the development of program related MTS services had not yet progressed sufficiently to warrant a decision on this matter.

(2) Canadian, Mexican and Bahamian Clear Channel: The Commission adopted a Report and Order amending the rules to allow for nighttime operation on Canadian, Mexican and Bahamian AM Class I-A Clear Channels.

(3) Implementation of 80-90: The Commission adopted a Report and Order and a Further Notice of Proposed Rulemaking implementing Docket 80-90. This action (Docket 84-231) provided for new FM allotments in 697 communities. A Second Report and Order was also adopted by the Commission to set forth criteria in the implementation of Docket 80-90.

(4) International Implementation: AM Region 2: The Commission adopted a Report and Order which will amend the AM technical rules to implement international agreements which have been or are being negotiated.

(5) Non-Commercial Educational FM/Channel 6 TV Interference: The Commission adopted a Report and Order and Memorandum Opinion and Order (reconsideration) setting standards for non-commercial educational stations to protect Channel 6 TV service areas from excessive interference.

(6) Alaskan Class A Stations: The Commission adopted a Report and Order which will increase interference protection for a group of AM stations in Alaska.

(7) VBI: The Commission adopted a Report and Order concerning authorization of data transmission service on the television vertical blanking interval (VBI) to encourage more efficient use of the spectrum without interferring with the regular broadcast service.

(8) Cable Bill Implementation: The Commission adopted a Report and Order to amend rules implementing the non-EEO provisions of the Cable Communications Policy Act of 1984 (P.L. 98-549) which was enacted into law on October 30, 1984.

(9) Cable Bill Implementation - EEO: The Commission adopted a Report and Order to implement the Equal Employment Opportunity provisions of the Cable Communications Policy Act of 1984 (P.L. 98-549).

(10) Multiple Ownership Rules: The Commission adopted a Memorandum Opinion and Order regarding the Multiple Ownership Rules for AM, FM and TV. In this action the Commission reaffirmed its earlier decision to set a 12-station ownership limit on AM, FM and TV; however, in the case of TV, ownership would be limited to 25 percent of the national audience.

(11) Broadcast Fairness: The Commission adopted a Report on the Fairness Doctrine which found: (a) the constitutionality of the Fairness Doctrine is suspect because it chills and coerces speech, and since the RED LION decision, there has been an increase in numbers and types of information sources; (b) the Fairness Doctrine is no longer advisable as a matter of policy because it chills speech, inhibits unorthodox views, imposes unnecessary cost burdens on broadcasters and the Commission, and it involves the Government in scrutinizing programming; and (c) there are good arguments on both sides as to whether the Fairness Doctrine is codified in Section 315, so the Commission agreed that it should not make a statutory determination without affording Congress an opportunity to review the record.

Objective: Submit items to the Commission that review for relevance and consistency with Commission objectives, existing rules, policies and regulations, recommending, where appropriate, modification or elimination. Specific items will include: Notices of Proposed Rulemaking on: AM-FM technical standards; children's ad signalling; rebroadcast telephone messages. Report and Orders will include: automatic transmission system for AM-TV stations; first come-first serve applications processing; HF broadcasting at 7 MHz; broadcast power meters; network affiliation contracts; rebroadcast of non-broadcast transmissions; automated terrain data; TV horizontal and vertical blanking; AM directional antenna proof deregulation; elimination of unnecessary restrictions and additional frequencies for CARS; and remote control of broadcast stations. Additionally, numerous other legal and policy issues will be addressed as they arise.

Accomplishment: During FY 1985, the Bureau submitted a number of agenda items dealing with the review of Commission's Rules. These items included:

(1) AM-FM Technical Standards: The Commission adopted a Notice of Proposed Rulemaking on technical deregulation of AM standards and will consider a Notice of Proposed Rulemaking on technical deregulation of FM standards in early FY 1986.

(2) Children's Ad Signalling: The Commission adopted a Memorandum Opinion and Order denying a petition for rulemaking to allow transmission of a signal to automatically exclude commercials directed at children. Given the absence of any substantial showing of need for this rule, the petition was dismissed.

(3) Rebroadcast Telephone Messages: The Commission adopted a Notice of Proposed Rulemaking proposing changes to the rules governing broadcast of live and recorded telephone conversations.

(4) Automatic Transmission Systems for AM-TV Stations: The Commission adopted a Notice of Proposed Rulemaking seeking comments to expand the use of automatic transmission systems (ATS) at AM, FM and TV stations.

(5) First Come/First Serve Applications Processing: A Report and Order was adopted to streamline the application processing system to expedite authorization of new or expanded service to the public. The new rules involve processing applications by using filing "windows" for vacant FM and TV channels in the Table of Assignments. If no applications are filed during the "window," the first application filed will cut off the filing rights of subsequent applicants.

(6) HF Broadcasting at 7 MHz: A Report and Order was adopted by the Commission to permit shortwave international broadcasting by FCC licensed stations in ITU Region 3. Protections were included to prevent interference to amateur radio operations in Region 2.

(7) Broadcast Power Meters: The Commission adopted a Report and Order to permit alternate ways of measuring station's power levels.

(8) Network Affiliation Contacts: The Commission adopted a Report and Order deleting the requirement for aural broadcast stations to file network affiliation agreements with the Commission. However, TV stations with affiliation agreements with national networks must continue to file a copy of agreement with the Commission.

(9) Rebroadcast of Non-Broadcast Transmissions: The Commission adopted a Report and Order to amend Parts 73 and 97 of the rules and to eliminate

several restrictions pertaining to the rebroadcast of transmissions of non-broadcast radio stations.

(10) Automated Terrain Data: A Report and Order was adopted to permit the alternate submission of antenna heights above average terrain (HAAT) calculations using computerized data for all radio services which require such data.

(11) TV Horizontal and Vertical Blanking: The Commission adopted a Report and Order to amend Part 73 of the rules to remove television waveform standards concerning horizontal and vertical blanking intervals.

(12) AM Directional Antenna Proof Deregulation: The Commission adopted a Notice of Proposed Rulemaking proposing to relax regulations which affect the 1700 AM broadcast stations using directional antennas.

(13) CARS Deregulation: The Commission adopted a Report and Order to consolidate the construction permit and license application procedure into a single step licensing process, and to reduce some of the reporting requirements in the CARS service.

(14) Remote Control of Broadcast Stations: The Commission adopted a Report and Order amending the remote control rules for AM, FM and TV stations.

Objective: Due to the substantial increase in the number of FM petitions as a result of Docket No. 84-231, the turn-around processing time for FM and TV Table of Assignment petitions will be increased from six to twelve months.

Accomplishment: The FM and TV Table of Assignment petitions were processed in six months if no foreign notification was required, and in twelve months if foreign notification was required. A total of 150 regular Notices of Proposed Rulemaking, 180 regular Report and Orders and 14 Memorandum Opinion and Orders were issued concerning assignments to the FM and TV Tables of Assignment. As a result of Docket No. 84-231 concerning FM Drop-Ins, 697 communities received new FM channel assignments.

Other Accomplishments

(1) FM Blanketing Interference: The Commission adopted a Report and Order to amend Part 73 to provide protection criteria to avoid FM blanketing interference.

(2) Cable TV/Aeronautical Interference: The Commission adopted a Report and Order and Memorandum Opinion and Order (reconsideration) to provide for frequency offset limitations and regular signal leakage monitoring requirements to prevent cable TV signal interference on aeronautical radio frequencies.

(3) ACSB Remote Pickup: The Commission adopted a Report and Order which amended frequency assignment procedures in the broadcast remote pickup service to facilitate more efficient use of the available spectrum.

(4) Delete Section 73.37(e) Note 5:. The Commission adopted a Report and Order which deleted the provision in Note 5 to Section 73.37 which limited certain unlimited time AM applicants to the use of the same daytime power as they proposed at night.

(5) Melbourne Market Designation: The Commission adopted a Report and Order which amended the list of major television markets by adding Melbourne and Cocoa, Florida to the existing Orlanda/Daytona Beach market designation.

(6) Single Majority Shareholder: The Commission adopted a Notice of Proposed Rulemaking seeking comments on Part 73.3555 concerning the interaction between the "single majority stockholder" exception to the ownership attribution standards and the "minority incentive" provisions added to the national multiple ownership rules.

(7) Cable Ownership Reporting: The Commission adopted a Notice of Proposed Rulemaking proposing the elimination or simplification of the current cable ownership reporting system.

(8) FM Aviation Interference: The Commission adopted a Notice of Proposed Rulemaking to investigate the compatiblity between the broadcast service and VHF Aeronautical Mobile Radio Service.

(9) Adjacent Channel Upgrade: The Commission adopted a Notice of Proposed Rulemaking proposing to allow the upgrading of FM licenses on existing or adjacent channels through a rulemaking proceeding.

(10) Transfers and Takeovers: The Commission adopted a Notice of Inquiry on the applicability of Section 310(d) of the Communications Act to proxy contests and tender offers involving publicly traded licensees.

FY 1986 Objectives

1. Submit agenda items to the Commission that foster efficient use of the spectrum and encourage the creation of opportunities for new or improved service to the public. Specific items will include a Notice of Proposed Rulemaking proposing expanded translator services rules and Reports and Orders on automatic transmission systems for AM-TV stations; implementation of the results of the 1986 AM expanded band conference; DBS technical standards and cable system terminal equipment; and a Policy Statement on transfers and takeovers involving publicly traded licensees.

2. Submit agenda items to the Commission that review for relevance and consistency with Commission objectives, existing rules, policies and regulations, recommending, where appropriate, modification or elimination. Specific items will include Notices of Proposed Rulemaking concerning: TV technical standards (Part 73); FM Translator, and FM Booster technical standards (Part 74 L); and frequency coordination for Experimental, Auxiliary, and special broadcast and other program distributional services (Part 74). Report and Orders will include AM directional antenna proofs; AM/FM simulcasting; cable ownership reporting requirements; expanded use of

wireless microphones; AM and FM technical standards (Part 73); Remote Pickup and Low Power Auxiliary technical standards (Part 74 D & H); and technical standards for ITFS, Experimental TV, Experimental Facsimile and Developmental broadcast stations (Part 74 A & I).

3. Process FM and TV Table of Assignment petitions in an average of twelve months.

FY 1987 Objectives

1. Submit agenda items to the Commission that foster efficient use of the spectrum and encourage the creation of opportunities for new or improved service to the public. Specific items will include a Report and Order implementing the results of the 1986 AM expanded band conference.

2. Submit agenda items to the Commission that review for relevance and consistency with Commission objectives, existing rules, policies and regulations, recommending, where appropriate, modification or elimination. The Bureau is attempting to resolve all currently pending policy and rulemaking issues in a six month timeframe. Specific issues to be acted on in FY 1987 will be identified in future budget documents.

3. Process FM and TV Table of Assignment petitions in an average of twelve months.

MASS MEDIA

2. AUTHORIZATION OF SERVICE

This program involves the processing of all applications or other requests to establish new commercial and non-commercial audio and video services, for operating licenses, and the renewal and transfer of such authorizations in the AM, FM, TV, translator, auxiliary and other mass media services. In addition, requests are processed for notifications and petitions involving cable television systems and related auxiliary services.

Program Personnel:	1985 Est.		1986 Est.		1987 Est.		Change	
	Pos.	WY	Pos.	WY	Pos.	WY	Pos.	WY
Authorization of Service...............	244	262	247	251	252	256	+5	+5

Personnel by Service:	1985 Est.		1986 Est.		1987 Est.		Change	
	Pos.	WY	Pos.	WY	Pos.	WY	Pos.	WY
AM......................	64	70	64	66	64	66	--	--
FM......................	86	91	86	87	87	88	+1	+1
TV......................	94	101	97	98	101	102	+4	+4
Total..............	244	262	247	251	252	256	+5	+5

FY 1985 Objectives

New and Major Change Processing Objectives

AM:

Objective: Applications are expected to increase dramatically (119%) to 678 as a result of the Commission's proposed opening of Canadian, Mexican and Bahamian Class I-A clear channels to domestic unlimited-time stations (Mass Media Docket 84-281). Disposals are expected to increase 4% to 408 (68 of which involve applications designated for hearing in the RKO proceeding). The year-end caseload is forecast to be 688 cases, up 65% from FY 1984.

Accomplishment: New applications increased by only 14% to 352. Disposals reached a record level of 494, up 26% over the previous year, enabling the backlog to be reduced by 34 % to 276. The number of cases pending at year end based on an actual inventory count was 268, down 36% from the previous year.

FM:

Objective: Incoming applications are expected to increase 24% to 1,519 as a result of "FM drop-in" proposals and other filings related to Docket 80-90. Although the filing rate is expected to increase dramatically during the third quarter, the disposal rate cannot be increased substantially until the fourth quarter because of the requirements of the processing sequence, i.e., engineering study, public notice requirements, legal review, petition processing, preparation of hearing designation orders, etc. As a consequence, disposals are estimated at 1,244 during FY 1985, 3% above the previous year. The year-end count of cases is expected to rise 25% to 1,352.

Accomplishment: Incoming applications declined 21% to 976. The "universal window" for filing applications for facilities carried in the Table of Allotments closed on July 12, 1985 and the first in a series of windows covering the new allotments established in Docket 80-90 was opened during October 1985. Because of the filing freeze imposed in order to implement the new first come/first served procedures and the staff effort required in devising corresponding modifications to its processing methods, disposals decreased 36% to 766. The caseload at year end was 1,287, up 19%. The number pending at year end, based on actual count, was 1,304, up 21% from FY 1984.

TV:

Objective: Filings are expected to remain at the FY 1984 level of 408. Disposals will decrease 18% to 379 due to staffing limitations. Accordingly, the year-end pending count will rise to 204, up 17% from FY 1984.

Accomplishment: Incoming applications decreased 4% to 429. Since no staff reduction was realized in FY 1985, disposals (479) increased 3% over FY 1984 and were 26% higher than originally projected. With disposals exceeding receipts by 12%, the year-end pending count was reduced 29% from 175 to 125.

FM Translators:

Objective: The rate of filings is predicted to drop significantly as speculative proposals, such as those filed during FY 1984, cease as a result of the Commission's decision in Docket 19918 not to institute a "low power FM service" at this time. The rate of filings is expected to drop 65% to 470. Also, disposals are expected to return to a more normal level of 540, down 50%. The final pending count will decrease by 9% to 510.

Accomplishment: As predicted, the rate of filings dropped significantly (75%) to 332 and disposals decreased 36% to 667. This enabled the final pending count to be reduced to 225, down 60%. By actual count, 188 cases were left pending at year end, 66% fewer than the previous year.

LPTV/TV Translators:

Objectives: The number of incoming applications is expected to increase 26% to 35,000. The high number of receipts are anticipated due to the opening of a filing "window" toward the end of FY 1985. Disposals are expected to be down 48% to 7,018. This is due to a reduction in staffing levels, coupled with the fact that disposals will be achieved primarily as a result of the lottery process. Thus, disposals will be less than those that result from a "purge" project. Although a purge of some defective applications from the data base will also be performed at the beginning of the year, it is not expected to identify as many returnable applications as in prior purges. Since the filing "window" will open in late summer, the backlog at year end will reflect an increase of 114% to 52,513.

MASS MEDIA

Accomplishment: The number of incoming applications was 86% less than expected at 4,869, a decrease of 82% from last year because a national filing window was not opened during this fiscal year. It was decided that program resources should be devoted to processing those applications already on file and not diverted to review the massive receipts expected in the first window. Although disposals were 10% less than the previous year, they were 73% higher than expected (12,135), since most staff resources were dedicated to backlog reduction and because several large application daisy chains produced substantial numbers of deficient and, thus, disposable applications. As a result of not opening a national filing window and a higher disposal rate, the backlog at year's end reflected a decrease of 30% to 17,265.

Auxiliary Services:

Objective: Applications are predicted to decrease 3% to 2,420. Processing is targeted to increase by 10% to 2,518 disposals resulting in a 9% decrease in the year end pending count (1,041).

Accomplishment: Applications increased 6% to 2,630 while disposals increased by 18% to 2,694. This resulted in a 6% decrease in the year end pending count (1,075). The inventory count indicated that 1,103 cases were on hand at year end, down 3% from FY 1984.

ITFS:

Objective: Receipts are expected to decrease 60% to 300. The unusually large numbers of receipts in FY 1984 resulted from the Commission's decision in General Docket 80-112 which permitted the leasing of ITFS excess channel capacity for commercial purposes. It is anticipated that specific policies, rules and/or standards will be established in FY 1985, pursuant to a Further Notice of Proposed Rulemaking in Mass Media Docket 83-523, adopted July 26, 1984. Once implemented, the staff will be able to dispose of mutually exclusive applications and other applications presenting policy concerns stemming from General Docket 80-112. However, it is not expected that new processing procedures will be implemented until the latter part of FY 1985. While disposals are projected to increase 14% to 287, and the year-end pending count will increase to 682, up 2% from last year.

Accomplishment: Receipts decreased 83% to 128. This may have been due to the uncertainties concerning the policies to be adopted in the rulemaking proceeding. Although disposals exceeded receipts at 217, they were 14% lower than last year. It had been originally anticipated that the new rules governing ITFS would become effective in the third quarter of FY 1985, with implementation of the new processing procedures beginning in the fourth quarter. However, the new rules did not become effective until July 29, 1985, and are now subject to petitions for reconsideration. Accordingly, full implementation of the new processing procedures has been delayed until the second quarter of FY 1986. At year end, 580 applications remained pending, down 13% from last year.

MASS MEDIA

License and Other Processing Objectives

AM:

Objective: Incoming applications are projected to increase 1% to 1,183. An 8% increase in processing (1,075 disposals) is scheduled which will result in a year-end tally of 656 cases, up 20% from the previous year.

Accomplishment: Incoming applications increased by 2% to 1,193. Disposals increased by 20% to 1,193 matching receipts and leaving the pending count unchanged at 548. By actual count, 529 cases were pending at year end, down 3% from the previous year.

FM:

Objective: Filings are forecast to increase 15% to 2,045 as the effects of Docket 80-90 are reflected in this processing category. Processing will exceed receipts with 2,300 disposals forecast, up 14%. The backlog will decrease 30% to 596 cases.

Accomplishment: Filings increased 36% to 2,425 while processing increased 8% to 2,181 disposals. Cases on file at year end increased 29% to 1,095. The actual on-hand count was 1,098, up 29%.

TV:

Objective: Receipts are expected to decrease 6% to 514. Disposals will decrease less than 1% to 490, and the year-end pending count will increase to 131, up 22% from last year.

Accomplishment: Instead of the projected decrease in receipts, an increase of 16% to 632 was realized. Despite a 22% increase in disposals (600), the year-end pending count increased from 107 to 139, up 30% from FY 1984.

FM Translators:

Objective: Receipts are predicted to increase by 14% to 414. Processing is scheduled to rise 5% to 419 disposals, leaving the year-end count at 77 cases, down 11%.

Accomplishment: Receipts increased 26% to 460 while processing increased by 12.5% to 450 disposals. The year-end pending count increased 23% to 54 cases. The inventory count was 55 cases at year end, up 25%.

LPTV/TV Translators:

Objective: Incoming applications are estimated to be 600, up 26% from FY 1984. Disposals are set to match receipts at 600, up 19%, and the year-end pending count will remain at 11.

Accomplishment: Instead of the projected 26% increase in receipts, an increase of 9% to 518, was realized. Disposals exceeded receipts at 521, up 3%, leaving the year-end pending count down 27% to 8.

ITFS:

Objective: Receipts are expected to increase 15% to 225. This increase in receipts results from the increase in the number of disposals of new construction permit applications in FY 1984 over those in FY 1983.

With FY 1985 disposals keeping pace with receipts (up 13%), the year-end pending count will remain unchanged at 2.

Accomplishment: Filings increased 71% over FY 1984 and totalled 335. Disposals increased 68% to 336, leaving 1 application pending, down 50% from FY 1984.

Renewal Processing Objectives

AM:

Objective: Due to the new 7-year license term, no renewal applications are scheduled to be filed during FY 1985 although one unscheduled application will be received. It is anticipated that corrective actions will be taken on approximately 85 previously deferred cases enabling them to be granted. This would result in 221 deferred renewal cases remaining on file at year end.

Accomplishment: Seven unscheduled renewal applications were received and 187 cases were disposed, down 83% from the previous year. At year end, 125 cases were on hand, down 59%. The inventory indicated that only 83 cases were pending at year end, down 73% from the previous year.

FM:

Objective: Due to the new 7-year license term, no renewal applications are projected for FY 1985 although 9 unscheduled applications will be received. It is assumed that corrective amendments enabling grants will be filed for 80 cases during the year. This would leave 198 deferred renewal cases pending at year end, down 26%.

Accomplishment: Thirteen unscheduled applications were received and 130 cases were disposed. The number of cases pending at year end decreased by 43% to 152. By actual count, 157 cases were pending at year end, down 42%.

TV:

Objective: Due to the new 5-year license term, no TV station renewals are scheduled to be filed in FY 1985. The production is set at 43 disposals, down 85%, with a year-end backlog of 14 applications, down 75% from the FY 1984 level.

Accomplishment: As projected, no renewal applications were received in FY 1985. Disposals were down 85% (43), leaving 14 applications pending, down 75% from last year.

FM Translators:

Objective: The FM translator renewal filing schedule, although different than the full service radio schedule, also reached the beginning of its new 7-year license term during FY 1984. Therefore, no new filings are scheduled during FY 1985 although three unscheduled applications will be received. During the year, 71 disposals are anticipated, leaving 7 deferred renewal cases outstanding at year end, down 91% from the previous year.

Accomplishment: Eight unscheduled renewal applications were received and 84 cases were disposed, 58% fewer than the previous year. No cases remained at year end.

LPTV/TV Translators:

Objective: Due to the new 5-year license term, no LPTV/TV Translators are scheduled to file renewal applications during FY 1985. Although disposals are estimated to decrease 93% to 25, the end-of-year count will decrease 52% to 23. These pending applications cannot be granted due to legal and/or technical problems.

Accomplishment: Although no LPTV or television translators were expected to file renewal applications during the fiscal year, 87 applications were received. The number of receipts was precipitated by a program project to request license renewal applications that were not current. Since many translator licensees are small community organizations, they sometimes inadvertently fail to file a renewal application. As these applications were received, when appropriate they were granted, for a total of 134 disposals, up 436% over what was projected, but down 63% from FY 1984. The year-end backlog decreased 98% to 1.

ITFS:

Objective: Receipts and disposals are expected to increase 6% to 35. This will result in a year-end pending count of 1, unchanged from the previous year.

Accomplishment: Incoming applications increased 12% to 37. Disposals were down 12% to 29. At the close of FY 1985, 9 applications remained pending (up 800%). However, a number of these applications were not statutorily ripe for grant in FY 1985.

Assignment and Transfer Processing Objectives

AM:

Objective: Incoming applications are expected to remain essentially steady at 1,094. Disposals are targeted to increase by 9% to 1,139 leaving the year-end pending count at 145, down 24%.

Accomplishment: Incoming applications increased 9% to 1,197 while disposals increased by 13% to 1,175 resulting in a final pending count of 212 cases, up 12%.

FM:

Objective: Receipts are projected to increase 6% to 942. Disposals are expected to increase 15% to 973 resulting in a final year-end count of 114, down 21%.

Accomplishment: Receipts actually increased 19% to 1,062 while disposals exceeded expectations, increasing 22% to 1,034. The final year-end count was 173 cases representing a 19% increase over the previous year. The year-end inventory count was 174, up 20%.

TV:

Objective: Incoming applications are expected to rise to 425, up 9%. Disposals will increase 2% to 394, but will not match receipts, resulting in 68 applications pending at year's end, up 84% from FY 1984.

Accomplishment: Receipts actually increased 64% to 642. The influx of applications resulted in part from a recent amendment of the Commission's rules which permitted multiple owners to increase their station ownership from seven to twelve. To meet the unexpected increase in receipts, disposals increased 53% to 591. At year end, 88 applications remained on hand, up 138% from FY 1984.

FM Translators:

Objective: New applications are forecast to decline 25% to 27. A disposal goal of 36, up 20%, is projected which will result in a year-end pending count of one.

Accomplishment: New applications declined 11% to 32 receipts while disposals increased by 23% to 37. There were 5 applications pending at year end, 50% fewer than the previous year

LPTV/TV Translators:

Objective: Receipts are predicted to increase 17% to 68. Disposals will decrease 3% but match receipts at 68, leaving the year-end backlog unchanged at 7.

Accomplishment: Receipts (173) increased 198% over FY 1984 and 154% above the original FY 1985 projection. Disposals increased to 149, up 113% from last year. Although the number of pending cases at the close of FY 1985 increased to 31 (up 343%), these applications had been on file less than the required thirty day statutory waiting period and could not be granted before September 30, 1985.

ITFS:

Objective: In FY 1985, 5 applications are expected to be filed, down 69% from FY 1984. Disposals have been set at 5, a decrease of 62% from last year, which will leave 3 applications pending at year end, unchanged from FY 1984.

Accomplishment: Receipts (10) were 100% higher than projected, but 37% less than last year. Disposals were 100% greater than planned (10), but down 23% from FY 1984, leaving 3 applications pending.

Cuban Interference Related Actions

Special Temporary Authorizations:

Objective: Requests for STA's to offset the effects of Cuban interference are expected to increase to 36 as more broadcasters elect to take advantage of the reimbursement provisions of the Radio Broadcasting to Cuba Act. These proposals will receive top priority and it is assumed that 37 will be fully processed, leaving only four pending at the end of the year, one less than the previous year.

Accomplishment: Only two requests for STA's relating to Cuban interference were received. Six proposals were disposed of during the year leaving only one pending. Radio Marti began to broadcast on May 20, 1985.

Compensation Claims:

Objective: It is expected that 47 compensation claims will be filed under Section 7 of the Radio Broadcasting to Cuba Act. It is anticipated that disposals will lag behind filings for a considerable period of time because of the requirement that facility construction be completed and invoices covering approved expenditures be submitted before a recommendation for disbursement of funds is issued to the United States Information Agency (USIA). Accordingly, it is projected that 40 cases will be formally disposed of during the year leaving 9 cases pending at year end.

Accomplishment: Eight applications for compensation were received during the year. There were two disposals: one finding in the amount of $12,265 and one returned for failure to comply with required technical showings. Eight cases remained pending at year end.

Cable Television Processing Objectives

CARS:

Objective: Incoming applications are predicted to decrease 5% to 1,400. Production is expected to decrease 7% to 1,338 disposals because of staff reductions. The year-end pending count will increase to 209, up 42% from the previous year.

Accomplishment: Instead of the projected 5% decrease, receipts increased 10% to 1,625. Due to the reduction of staff resources in this area, disposals (1,491) did not match receipts, but were up 3% over FY 1984. The year-end pending totalled 281, up 91% from last year.

Special Relief Petitions:

Objective: Receipts are projected to decrease by 27% to 250. Since staff resources will be reduced, disposals will decrease 15% to 335. At year's end, 252 cases will remain pending, down 25% from FY 1984.

Accomplishment: Receipts of special relief petitions totalled 279, down 18%. Since no reduction in staff resources occurred in FY 1985, disposals (551) were 64% greater than planned and up 39% from FY 1984. With disposals exceeding receipts by 97%, the year-end pending count was reduced 81% to 65.

Aeronautical Frequency Usage Notifications:

Objective: The level of receipts is expected to decrease 11% to 2,000. Disposals will also decrease 12% but match receipts at 2,000, resulting in a year-end pending count of 14, unchanged from FY 1984.

Accomplishment: Receipts decreased 20% to 1,796. Disposals were down 21% but exceeded receipts (1,801). The year-end pending decreased 36% to 9.

Aeronautical Frequency Usage Waivers:

Objective: The level of receipts will decrease 8% to 1,200. Disposals will match receipts (down 9%), which will result in a year-end pending count of 76, the same as FY 1984.

Accomplishment: Instead of the 8% decrease projected, receipts (391) were 67% less than the previous year. This was a result of changes in the Commission's rules (Docket 21006) which impacted receipts in this category during FY 1985 only. Consequently, disposals were down 62% but exceeded receipts at 466. The year end pending count was 1, down 99%.

76.12 Registration Statements:

Objective: Receipts are projected to increase 5% to 1,740. Disposals will match receipts, down 36%, leaving the year-end pending unchanged from FY 1984 at 115.

Accomplishment: Receipts decreased 4% to 1,474. Disposals decreased 38%, but exceeded receipts at 1,581. Thus, the year-end pending count was reduced 93% to 8.

Ownership Processing Objectives

Ownership Reports:

Objective: Complete processing of 80% of all ownership reports within 60 days of receipt; 100% within 90 days. Where necessary, submit written recommendations for remedies within these time periods.

Accomplishment: All ownership reports (2,086) were processed within 60 days of receipt.

FY 1986 Objectives

New and Major Change Processing Objectives

AM: Receipts are expected to increase 42% to 500 applications. Processing is expected to decrease by 31% to 340 disposals, which will result in a year-end backlog of 428 cases, 60% above the FY 1985 level.

FM: Incoming applications are expected to increase 64% to 1,600 as proposals filed pursuant to Docket 80-90 continue. Disposals are targeted to match receipts (1,600) surpassing the previous year's disposal rate by 109%. The year end tally of pending applications will hold constant at 1,304 cases.

TV: Receipts are predicted to increase less than 1% to 431. Disposals will decrease 10% but match receipts at 431, leaving a pending count of 125, unchanged from last year.

FM Translators: Filings are forecast to increase 8% to 360. Disposals are projected to decrease by 43% to 380. The final pending count will decrease 11% to 168.

LPTV/TV Translators: A 520% increase in receipts is projected (30,200). The high number of receipts is anticipated due to the opening of a national filing "window" toward the end of FY 1986. Disposals are expected to decrease 12% to 10,725. This will result from the continued processing of those large daisy chains involving applications received in response to cut-off lists released in previous fiscal years. By the end of FY 1986, all applications filed prior to the opening of the national filing "window" with cut-off status will have been processed. However, since the national filing "window" will open in the latter part of FY 1986, the backlog at year end will reflect an increase of 113% to 36,740.

MASS MEDIA

Auxiliary Services: The rate of filing is predicted to decrease 0.5% to 2,620 applications. Disposals will match receipts at 2,620, down 3% from the previous year. The final pending count will hold constant at 1,103.

ITFS: Incoming applications are expected to increase 134% to 300 because of anticipated applications to be filed by local educators as a result of policies adopted in the ITFS rulemaking proceeding. Disposals will increase 61% to 350. The increased disposal rate will result from the implementation of new processing procedures for the ITFS service, which were established in the latter part of FY 1985. The backlog is expected to decrease 9% to 530, which may include some of the 265 applications which are frozen from consideration until July 29, 1986.

License and Other Processing Objectives

AM: Incoming applications are expected to decrease 3% to 1,160 receipts. Processing is set to match receipts (1,160), a 3% decrease from last year's disposals. The year-end tally of pending cases will remain unchanged at 529.

FM: Filings are forecast to decrease 9% to 2,200. The rate of processing applications (2,200 disposals) will increase by 1% and match receipts, yielding a year-end pending count of 1,098 cases, unchanged from the previous year.

TV: Receipts are predicted to decrease 8% to 580. Disposals will be down 10% to 540, leaving a year end backlog of 179, up 29%.

FM Translators: Receipts are predicted to decrease 9% to 420. Disposals (420) will decrease by 7% matching receipts and leaving the year-end count unchanged at 55 cases.

LPTV/TV Translators: An increase of 35% in receipts (700) is expected. The disposal rate will match receipts (700), up 34%. Thus, the number of pending cases at the end of FY 1986 will remain at 8.

ITFS: Receipts are expected to increase 5% to 353. Disposals will increase 3% to 345, resulting in a year-end pending count of 9, up 800% from last year.

Renewal Processing Objectives

AM: No routine renewal applications are scheduled to be filed during FY 1986. It is anticipated, however, that corrective amendments will be filed for approximately 40 pending applications in deferred renewal status enabling them to be granted. That would leave 43 cases on file at year end, down 48% from the previous year.

FM: No routine renewal applications are scheduled to be filed during FY 1986. It is assumed, however, that corrective amendments will be filed for 40 deferred renewal cases during the year which will enable them to be granted. This will leave 117 cases pending at year end, down 26% from FY 1985.

MASS MEDIA

TV: Due to the start of a new 5-year renewal cycle for television stations, 114 renewal applications are scheduled to be filed toward the end of FY 1986. Disposals are set at 58, up 35%. At year end, 70 applications will remain pending (up 400%); however, the backlog will consist primarily of applications that are not statutorily ripe for grant in FY 1986.

FM Translators: No routine FM translator renewal filings are expected this year and no disposals are anticipated. There will be no applications pending at year end.

LPTV/TV Translators: It is expected that due to the start of the new 5-year renewal cycle for LPTV stations and TV translators, 410 applications will be received toward the end of FY 1986, up 371%. Disposals are projected to be 156, up 16%; however, the year-end pending count will increase from 1 to 255 (254%). The backlog will consist primarily of applications which are not statutorily ripe for grant in FY 1986.

ITFS: Receipts are expected to increase 8% to 40. With disposals matching receipts (40), up 38% from the preceding year, the year-end pending count will remain at 9.

Assignment and Transfer Processing Objectives

AM: Incoming applications are expected to decrease 8% to 1,100. Disposals will decrease 6% to 1,100 to match the incoming volume. The year-end pending count will remain unchanged at 212.

FM: Receipts are projected to decrease 4% to 1,020 applications. Processing will decrease 1% to 1,020 matching receipts and keeping the final year-end count unchanged at 174 cases.

TV: Receipts are expected to increase less than 1%, but remain high at 650. It is expected that numerous voluntary mergers and hostile takeovers of major corporate entities with broadcast holdings will continue through the next fiscal year. Disposals will decrease 7% to 550, with the year-end pending count rising to 188, a 114% increase from the previous year.

FM Translators: New applications are anticipated to remain unchanged at 32. A disposal goal of 32, down 14%, has been set to match receipts and keep the year-end pending count at 5.

LPTV/TV Translators: Incoming applications are expected to increase less than 1% to 175. Disposals will increase 17% to match receipts (175). Accordingly, the year-end pending count will remain at 31.

ITFS: It is expected that 15 applications will be received, up 50% from FY 1985. Disposals will match receipts at 15, up 50%. Thus, the year-end pending will remain unchanged at 3.

MASS MEDIA

Cuban Interference Related Actions

Special Temporary Authorizations: Requests for STA's to offset the effects of Cuban interference are expected to increase to 20 (up 900%) as Radio Marti continues operation. These requests will receive top priority, and it is assumed that 20 requests will be disposed of during FY 1986, leaving only 1 request pending at the end of the year, unchanged from the previous year.

Compensation Claims: It is assumed that compensation claims will track STA requests (20), up 150% from FY 1985. It is anticipated that 20 cases will be formally disposed during the year leaving 8 cases pending at year end, unchanged from the previous year.

Cable Television Processing Objectives

CARS: Receipts are predicted to decrease 14% to 1,400. Disposals will decrease 19% to 1,200. The year-end count will increase 71% to 481.

Aeronautical Frequency Usage Notifications: It is anticipated that receipts will increase less than 1% to 1,800. Disposals are set to match receipts, down less than 1%, which will leave a year-end pending count of 9, unchanged from last year.

Aeronautical Frequency Usage Waivers: The level of receipts are projected to increase 207% to 1,200 due to the implementation of a new computerized drop-in program that will detect conflicts that have developed as a result of new FAA frequencies being utilized in the critical frequency band. In addition, the expanded grandfathered rights accorded cable operators under the reconsideration of Docket 20016, will increase the number of waiver requests. Disposals (1,200) will match receipts, up 157%, resulting in a pending count of 1, unchanged from FY 1985.

76.12 Registration Statements: Receipts are projected to increase 8% to 1,600. Disposals will match receipts (1,600), up less than 1%, leaving a backlog of 8, the same as FY 1985.

Ownership Processing Objectives

Ownership Reports: Complete processing of 80% of all ownership reports within 60 days of their receipt; 100% within 90 days. Where necessary, submit written recommendations for remedies within these time frames.

FY 1987 Objectives

New and Major Change Processing Objectives

AM: Incoming applications are expected to hold steady at 500. Disposals (340) are also expected to remain unchanged from the previous year. The year end caseload is forecast to be 588 cases, up 37% from FY 1986.

FM: Receipts are projected to hold constant at 1,600 applications as Docket 80-90 filings continue for channels opened on a controlled basis utilizing the "window" procedures. The disposal rate will continue at the FY 1986 level of 1,600 disposals. The year-end count of pending cases is expected to remain unchanged at 1,304.

TV: Incoming applications will remain at the FY 1986 level of 431. Disposals will also remain at the FY 1986 level of 431, leaving a year-end pending count of 125, unchanged from last year.

FM Translators: The rate of filings is predicted to increase 5% to 380. Disposals are expected to hold steady at 380, matching receipts. Accordingly, the residual caseload will remain unchanged at 168 applications.

LPTV/TV Translators: A 99% decrease in receipts is projected (300). This anticipates the opening of an Alaska "window" during this fiscal year. No national "window" will be opened since all staff resources will be dedicated toward processing the applications received in response to the national filing "window" of FY 1986. With the additional resources requested, disposals will increase 85% to 19,813, leaving a pending count of 17,227, down 53% from FY 1986.

Auxiliary Services: No change is anticipated in the number of proposals received (2,620). Also, processing is scheduled to remain constant at 2,620 disposals in order to match receipts and hold the backlog steady at 1,103 cases.

ITFS: Receipts are projected to decrease 33% to 200. Disposals will exceed receipts at 400, up 14% from last year, thereby reducing the year-end pending 38% to 330.

License and Other Processing Objectives

AM: New applications are projected to remain at the FY 1986 level of 1,160 receipts. No change in disposals (1,160) is scheduled. This will result in a year-end count of 529 cases, unchanged from the previous year.

FM: Filings are forecast to hold steady at 2,200 receipts. Disposals will also remain constant at 2,200, leaving a year-end backlog of 1,098 cases, unchanged from FY 1986.

TV: Receipts and disposals are projected to remain at the FY 1986 levels of 580 and 540 respectively. At year end 219 applications will remain on hand, up 22% from the previous year.

FM Translators: Incoming applications are expected to remain constant at 420. Processing is scheduled to remain at the FY 1986 level of 420 disposals, matching receipts and leaving a year-end pending count of 55 cases, unchanged from the previous year.

LPTV/TV Translators: Application receipts and disposals are projected to increase 71% to 1,200 as a result of the large number of disposals of new construction permit applications during FY 1986. Since receipts will match disposals, 8 applications will be on hand at year end, unchanged from last year.

ITFS: Receipts are expected to remain at the FY 1986 level of 353. Disposals are set to match receipts (353), up 2%, which will leave the year-end pending unchanged at 9.

Renewal Processing Objectives

AM: Because of the 7-year license term, no routine renewal applications are scheduled to be filed during FY 1987. It is anticipated that corrective actions will be taken on approximately 20 previously deferred cases enabling them to be granted. This would result in a 47% reduction in the number of cases remaining on file at year end (23).

FM: Because of the 7-year license term, no routine renewal applications are projected to be filed during the year. It is assumed that corrective amendments enabling grants will be filed for 40 cases, unchanged from the previous year. This will leave 77 deferred renewal cases pending at year end, down 34%.

TV: It is anticipated that 336 renewal applications will be filed in FY 1987, up 195% from last year. Disposals will be up 395% to 287, leaving a year-end pending of 119, up 70%.

FM Translators: No renewal filings are expected this year and no disposals are anticipated. There will be no applications pending at year end.

LPTV/TV Translators: The projected 445% increase in application receipts (2,234) reflects the approximate number of stations with scheduled renewal cycles ending in FY 1987. It is expected that 1,857 applications will be disposed of, up 1,090%, leaving a year-end pending count of 632, up 148% from FY 1986.

ITFS: Incoming applications are expected to remain constant at 40. Disposals will also remain at last year's level of 40, leaving 9 applications on hand, the same as FY 1986.

Assignment and Transfer Processing Objectives

AM: Incoming applications are expected to increase slightly (2%) to 1,120. Disposals are targeted to increase the same amount in order to match receipts and keep the year-end backlog unchanged at 212 cases.

FM: Receipts are projected to increase 6% to 1,080. Disposals (1,080) are targeted to increase accordingly (6%) to keep pace with receipts. This will enable the final pending count to remain unchanged at 174 cases.

TV: Incoming applications are expected to remain high at 650, the same as last year. With the additional resources requested, disposals are predicted to increase 4% to 575. At year end 263 applications will remain pending, up 40% from FY 1986.

FM Translators: New applications are forecast to remain constant at 32 receipts. Also, disposals are predicted to hold steady at 32, leaving 5 applications pending at the end of the year, unchanged from FY 1986.

MASS MEDIA

LPTV/TV Translators: Receipts and disposals are projected to remain at the FY 1986 level of 175. The year-end pending will remain unchanged at 31.

ITFS: It is anticipated that both receipts and disposals will remain at the FY 1986 level of 15, leaving 3 applications pending, the same as FY 1986.

Cuban Interference Related Actions

Special Temporary Authorizations: Requests for STA's to counteract the effects of Cuban interference are expected to remain at the FY 1986 level of 20. It is assumed that 20 will be fully processed, the same as last year, leaving only one pending at the end of the year, unchanged from the previous year.

Compensation Claims: The number of compensation claims filed under Section 7 of the Radio Broadcasting to Cuba Act is expected to remain unchanged from last year (20). It is anticipated that disposals will also equal 20, the same as last year. Accordingly, 8 cases are projected to remain pending at year end, unchanged from the FY 1986.

Cable Television Processing Objectives

CARS: Receipts (1,400) will remain at the FY 1986 level. Disposals will also remain at last year's level of 1,200, leaving 681 applications pending, up 42%.

Aeronautical Frequency Usage Notifications: Receipts and disposals are expected to remain constant at 1,800. The year-end pending will remain at 9.

Aeronautical Frequency Usage Waivers: Receipts are projected to remain at 1,200. Disposals will match receipts, the same as the previous year, resulting in a pending count of 1, unchanged from FY 1986.

76.12 Registration Statements: Receipts and disposals will remain at 1,600, leaving 8 pending at the close of the year, the same as FY 1986.

Ownership Processing Objectives

Ownership Reports: Complete processing of 80% of all ownership reports within 60 days of their receipt; 100% within 90 days. Where necessary, submit written recommendations for remedies within these timeframes.

JUSTIFICATION

We are requesting one additional position in FY 1987 to meet the increased and more complex Television Assignment and Transfer workload created by the Commission's recent amendment of its rules regarding the multiple ownership of broadcasting stations (Gen-83-1009). Many of these anticipated large transactions will contain rule waivers requiring action by the Commission, and are expected to attract petitions to deny and other objections. Such applications would, therefore, require experienced attorneys and more processing time. In the absence of the staff resources requested in FY 1987, the backlog and age of pending cases will increase to a level unacceptable to both the Commission and the industry. Most of the anticipated filings will be high profile, multi-million dollar transactions, with contract deadlines. Consequently, the additional position is necessary so that Television Assignment and Transfer applications may be disposed of within a reasonable time after the statutory waiting period of thirty days.

During the latter part of FY 1986, it is anticipated that a national filing "window" will open for Low Power Television applicants. Receipts are projected to reach 30,200. In order to expeditiously process this additional workload, we are requesting $67,000 in FY 1987 for three file clerk positions and for contracting for the services of five data transcribers. Through experience gained in processing the 25,000 LPTV applications filed in FY 1984, it is believed that the most efficient and economical method for dealing with the massive filings in the Low Power Television service is to hire three file clerks to prepare, organize and maintain files for the 30,200 applications; and to contract the services of five data transcribers to enter data from the applications into the automated systems within an acceptable timeframe. Both of these functions must be performed before the applications can be forwarded to the engineering and legal staffs for further processing. With the additional resources requested, the initial processing of the 30,200 applications can be completed in five to six months rather than in ten to twelve months.

We are requesting $28,000 in FY 1987 to purchase file folders for 25,000 of the 30,200 LPTV applications expected to be filed at the end of FY 1986. We anticipate that approximately 5,200 applications will not be acceptable for filing and thus, file folders will not be required for these applications. Approximately 25,000 file folders will be required to accommodate each original LPTV application and 25,000 additional file folders will be needed for the duplicate (public reference) copies. The file folders are necessary to permit the efficient identification and location of pending applications, pursuant to the expeditious authorization of service.

We are requesting one additional position in FY 1987 for the Public Reference Room. This additional position is required to cope with the increasing number of documents being filed and requests by the public and the staff for access to them. The number of files handled in the Public Reference Room increased by approximately 26% during the last year. In addition to the increased workload which would normally be anticipated based upon year-to-year growth trends, heavy volume is expected in several specific areas. These areas include: (1) Over 30,000 LPTV applications expected during FY 1986 in response to a nationwide "window;" (2) A sustained increase in AM applications filed on newly opened Canadian Class I-A clear channels and filings in response to Docket 84-752 which allowed AM non-integer operating powers; and (3) A continued increase in FM applications for Docket 80-90 allocations. Without this additional position, staff resources would have to be diverted from applications processing work in order to maintain an adequate level of service in this area.

MASS MEDIA

We are requesting $100,000 to fund contractual services for the further evaluation and development of two computer models to enhance the speed and accuracy with which applications, petitions and waiver requests relating to FM and TV interference and service can be processed. The objective of this project is to provide better service to the public through more efficient utilization of the spectrum by means of more sophisticated propogation models and analytical techniques taking full advantage of currently available computerized terrain and population data bases. Studies utilizing these advanced techniques would yield more accurate and useful information and analyses for evaluating policy and technical alternatives.

Additionally, we are requesting $8,000 to purchase a plotter which will permit automated plotting of existing and proposed microwave systems in the CARS service. Currently the engineering staff must prepare plots manually on a flat bed plotter. This automated plotter will eliminate the current requirement to maintain manually drawn maps of microwave systems and also enhance speed of service to the public in the CARS service.

MASS MEDIA

Application Workload Statistics by Service:

Fiscal Year	Pending Beginning of Year	Received During Year	Disposed During Year	Disposed Without Hearing	Designated for Hearing		Pending End of Year
1984 - AM							
New/Maj. Changes	488	309	392	271	121	(405)	418
Licenses & Others 1/	392	1,173	995	995	0	(570)	548
Renewals	713	694	1,105	1,102	3	(302)	305
Assignments & Transfers	135	1,097	1,044	1,044	0	(188)	190
Total	1,728	3,273	3,536	3,412	124	(1,465)	1,461 2/
1985 - AM							
New/Maj. Change	418	352	492	349	143	(278)	268
Licenses & Others	548	1,193	1,193	1,193	0	(548)	529
Renewals	305	7	187	179	8	(125)	83
Assignments & Transfers	190	1,197	1,175	1,173	2	(212)	212
Total	1,461	2,749	3,047	2,894	153	(1,163)	1,092
1986 - AM							
New/Maj. Changes	268	500	340	220	120		428
Licenses & Others	529	1,160	1,160	1,160	0		529
Renewals	83	0	40	40	0		43
Assignments & Transfers	212	1,100	1,100	1,100	0		212
Total	1,092	2,760	2,640	2,520	120		1,212
1987 - AM							
New/Maj. Changes	428	500	340	220	120		588
Licenses & Others	529	1,160	1,160	1,160	0		529
Renewals	43	0	20	20	0		23
Assignments & Transfers	212	1,120	1,120	1,120	0		212
Total	1,212	2,780	2,640	2,520	120		1,352

1/ AM Others: includes direct measurement of power, minor change CP, remote control, name change, studio relocation outside city, extension of time to construct and reinstatement of expired permit.

2/ The year-end pending counts for FY 1984 and FY 1985 have been adjusted to reflect the results of inventories of pending cases. The numbers in parenthesis reflect the pre-inventory counts.

MASS MEDIA

Fiscal Year	Pending Beginning of Year	Received During Year	Disposed During Year	Disposed Without Hearing	Designated for Hearing		Pending End of Year
1984 - FM							
New/Maj. Changes	1,090	1,229	1,206	715	491	(1,113)	1,077
Licenses & Others 1/	1,131	1,781	2,013	2,009	4	(899)	851
Renewals	642	798	1,175	1,170	5	(265)	269
Assignments & Transfers	101	891	846	846	0	(146)	145
Total	2,964	4,699	5,240	4,740	500	(2,423)	2,342 2/
1985 - FM							
New/Maj. Changes	1,077	976	766	449	317	(1,287)	1,304
Licenses & Others	851	2,425	2,181	2,180	1	(1,095)	1,098
Renewals	269	13	130	120	10	(152)	157
Assignments & Transfers	145	1,062	1,034	1,033	1	(173)	174
Total	2,342	4,476	4,111	3,782	329	(2,707)	2,733
1986 - FM							
New/Maj. Changes	1,304	1,600	1,600	720	880		1,304
Licenses & Others	1,098	2,200	2,200	2,200	0		1,098
Renewals	157	0	40	40	0		117
Assignments & Transfers	174	1,020	1,020	1,020	0		174
Total	2,733	4,820	4,860	3,980	880		2,693
1987 - FM							
New/Maj. Changes	1,304	1,600	1,600	720	880		1,304
Licenses & Others	1,098	2,200	2,200	2,200	0		1,098
Renewals	117	0	40	40	0		77
Assignments & Transfers	174	1,080	1,080	1,080	0		174
Total	2,693	4,880	4,920	4,040	880		2,653

1/ FM Others: includes minor change CP, name change, studio relocation outside city, extension of time to construct, reinstatement of expired permit, license modification following transmission line or antenna replacement. SCA applications are no longer required.

2/ The year-end pending counts for FY 1984 and FY 1985 have been adjusted to reflect the results of inventories of pending cases. The numbers in parenthesis reflect the pre-inventory counts.

MASS MEDIA

Fiscal Year	Pending Beginning of Year	Received During Year	Disposed During Year	Disposed Without Hearing	Designated for Hearing	Pending End of Year
1984 - TV						
New/Maj. Changes	193	447	465	229	236	175
Licenses & Others 1/	55	544	492	492	0	107
Renewals	157	189	289	286	3	57
Assignments & Transfers	32	391	386	386	0	37
Total	437	1,571	1,632	1,393	239	376
1985 - TV						
New/Maj. Changes	175	429	479	131	348	125
Licenses & Others	107	632	600	600	0	139
Renewals	57	0	43	43	0	14
Assignments & Transfers	37	642	591	591	0	88
Total	376	1,703	1,713	1,365	348	366
1986 - TV						
New/Maj. Changes	125	431	431	213	218	125
Licenses & Others	139	580	540	540	0	179
Renewals	14	114	58	58	0	70
Assignments & Transfers	88	650	550	550	0	188
Total	366	1,775	1,579	1,361	218	562
1987 - TV						
New/Maj. Changes	125	431	431	213	218	125
Licenses & Others	179	580	540	540	0	219
Renewals	70	336	287	285	2	119
Assignments & Transfers	188	650	575	575	0	263
Total	562	1,997	1,833	1,613	220	726

1/ TV Others: includes minor change CP, name change, studio relocation outside city, extension of time to construct, reinstatement of expired permit, remote control, and license modification following transmission line or antenna replacement.

MASS MEDIA

Fiscal Year	Pending Beginning of Year	Received During Year	Disposed During Year	Disposed Without Hearing	Designated for Hearing	Pending End of Year
1984 - FM Translators 1/						
New/Maj. Changes	286	1,327	1,035	1,035	0	(578) 560
Licenses & Others 2/	119	364	400	400	0	(83) 44
Renewals	87	182	199	199	0	(70) 75
Assignments & Transfers	5	36	30	30	0	(11) 10
Total	497	1,909	1,664	1,664	0	(742) 689 3/
1985 - FM Translators						
New/Maj. Changes	560	332	667	667	0	(225) 188
Licenses & Others	44	460	450	450	0	(54) 55
Renewals	75	8	84	84	0	(-1) 0
Assignments & Transfers	10	32	37	37	0	(5) 5
Total	689	832	1,238	1,238	0	(283) 248
1986 - FM Translators						
New/Maj. Changes	188	360	380	380	0	168
Licenses & Others	55	420	420	420	0	55
Renewals	0	0	0	0	0	0
Assignments & Transfers	5	32	32	32	0	5
Total	248	812	832	832	0	228
1987 - FM Translators						
New/Maj. Changes	168	380	380	380	0	168
Licenses & Others	55	420	420	420	0	55
Renewals	0	0	0	0	0	0
Assignments & Transfers	5	32	32	32	0	5
Total	228	832	832	832	0	228

1/ Included in the FM Translator count are FM boosters.

2/ Translator Others: includes change CP, name change, extension of time to construct, and reinstatement of expired permit.

3/ The year-end pending counts for FY 1984 and FY 1985 have been adjusted to reflect the results of inventories of pending cases. The numbers in parenthesis reflect the pre-inventory counts.

MASS MEDIA

Fiscal Year	Pending Beginning of Year	Received During Year	Disposed During Year	Disposed Without Hearing	Desig-nated for Hearing	Pending End of Year
1984 - LPTV/TV Translators						
New/Maj. Changes	10,153	27,818	13,440	13,440	0	24,531
Licenses & Others 1/	41	476	506	506	0	11
Renewals	48	366	366	366	0	48
Assignments & Transfers	19	58	70	70	0	7
Total	10,261	28,718	14,382	14,382	0	24,597
1985 - LPTV/TV Translators						
New/Maj. Changes	24,531	4,869	12,135	12,135	0	17,265
Licenses & Others	11	518	521	521	0	8
Renewals	48	87	134	134	0	1
Assignments & Transfers	7	173	149	149	0	31
Total	24,597	5,647	12,939	12,939	0	17,305
1986 - LPTV/TV Translators						
New/Maj. Changes	17,265	30,200	10,725	10,720	5	36,740
Licenses & Others	8	700	700	700	0	8
Renewals	1	410	156	156	0	255
Assignments & Transfers	31	175	175	175	0	31
Total	17,305	31,485	11,756	11,751	5	37,034
1987 - LPTV/TV Translators						
New/Maj. Changes	36,740	300	19,813	19,803	10	17,227
Licenses & Others	8	1,200	1,200	1,200	0	8
Renewals	255	2,234	1,857	1,857	0	632
Assignments & Transfers	31	175	175	175	0	31
Total	37,034	3,909	23,045	23,035	10	17,898

1/ LPTV/TV Translator Others: includes change CP, name change, extension of time to construct, and reinstatement of expired permit.

MASS MEDIA

Fiscal Year	Pending Beginning of Year	Received During Year	Disposed During Year	Disposed Without Hearing	Designated for Hearing	Pending End of Year
1984 - Auxiliary Services 1/						
Major Actions 2/	1,013	2,492	2,285	2,285	0	(1,220) 1,139 3/
1985 - Auxiliary Services						
Major Actions	1,139	2,630	2,694	2,694	0	(1,075) 1,103
1986 - Auxiliary Services						
Major Actions	1,103	2,620	2,620	2,620	0	1,103
1987 - Auxiliary Services						
Major Actions	1,103	2,620	2,620	2,620	0	1,103

1/ Auxiliary Services: includes remote pickup, TV auxiliary broadcast stations, aural broadcast STL and Intercity Relay, and Low Power auxiliary stations.

2/ "Major Actions" are equivalent to the category "New and Major Changes" in the other services. In the auxiliary services, however, a single application is filed to obtain both a permit and covering license. Also, auxiliary service licenses are generally held by licensees of full service AM, FM or TV stations and are renewed, assigned and transferred automatically, without separate application, whenever such actions occur to the main station license.

3/ The year-end pending count for FY 1984 and FY 1985 have been adjusted to reflect the results of inventories of pending cases. The numbers in parenthesis reflect the pre-inventory counts.

MASS MEDIA

Fiscal Year	Pending Beginning of Year	Received During Year	Disposed During Year	Disposed Without Hearing	Designated for Hearing	Pending End of Year
1984 - ITFS						
New/Maj. Changes	175	746	252	252	0	669
Licenses & Others	6	196	200	200	0	2
Renewals	1	33	33	33	0	1
Assignments & Transfers	0	16	13	13	0	3
Total	182	991	498	498	0	675
1985 - ITFS						
New/Maj. Changes	669	128	217	217	0	580 1/
Licenses & Others	2	335	336	336	0	1
Renewals	1	37	29	29	0	9
Assignments & Transfers	3	10	10	10	0	3
Total	675	510	592	592	0	593
1986 - ITFS						
New/Maj. Changes	580	300	350	350	0	530 1/
Licenses & Others	1	353	345	345	0	9
Renewals	9	40	40	40	0	9
Assignments & Transfers	3	15	15	15	0	3
Total	593	708	750	750	0	551
1987 - ITFS						
New/Maj. Changes	530	200	400	400	0	330
Licenses & Others	9	353	353	353	0	9
Renewals	9	40	40	40	0	9
Assignments & Transfers	3	15	15	15	0	3
Total	551	608	808	808	0	351

1/ The FY 1985 and FY 1986 year-end pending counts include approximately 265 applications (filed by nonlocal applicants) which are "frozen" from consideration until July 29, 1986, pursuant to the Second Report and Order in MM Docket 83-523, FCC 85-294, released June 20, 1985.

MASS MEDIA

Fiscal Year	Pending Beginning of Year	Received During Year	Disposed During Year	Disposed Without Hearing	Designated for Hearing	Pending End of Year
1984 - Cuban Interference-Related Actions 1/						
STAs	4	2	1	1	0	5
Compensation Claims	0	2	0	0	0	2
1985 - Cuban Interference-Related Actions						
STAs	5	2	6	6	0	1
Compensation Claims	2	8	2 2/	2	0	8
1986 - Cuban Interference-Related Actions						
STAs	1	20	20	20	0	1
Compensation Claims	8	20	20 2/	20	0	8
1987 - Cuban Interference-Related Actions						
STAs	1	20	20	20	0	1
Compensation Claims	8	20	20 2/	20	0	8

1/ AM broadcast stations suffering interference from Cuban stations may file for Special Temporary Authorizations (STAs) to construct modified transmission facilities in order to restore lost service. Under the provisions of Section 7(b) of the Radio Broadcasting to Cuba Act, these licensees, following procedures established by the Commission, are eligible to apply for limited compensation to offset expenses incurred in mitigating the effects of such Cuban radio interference.

2/ An application for compensation is not considered "disposed" until a recommendation is issued to the United States Information Agency for disbursement of funds covering all claims filed by the licensee. This requires that construction be completed and construction invoices covering all approved expenditures be submitted.

MASS MEDIA

Fiscal Year	Pending Beginning of Year	Received During Year	Disposed During Year	Disposed Without Hearing	Desig- nated for Hearing	Pending End of Year
CARS						
1984 Act.	119	1,473	1,445	1,445	0	147
1985 Act.	147	1,625	1,491	1,491	0	281
1986 Est.	281	1,400	1,200	1,200	0	481
1987 Est.	481	1,400	1,200	1,200	0	681
Special Relief Petitions						
1984 Act.	391	341	395	395	0	337
1985 Act. 1/	337	279	551	551	0	65
Aeronautical Frequencies Usage Notifications						
1984 Act.	49	2,249	2,284	2,284	0	14
1985 Act.	14	1,796	1,801	1,801	0	9
1986 Est.	9	1,800	1,800	1,800	0	9
1987 Est.	9	1,800	1,800	1,800	0	9
Aeronautical Frequencies Usage Waivers						
1984 Act.	138	1,170	1,232	1,232	0	76
1985 Act.	76	391	466	466	0	1
1986 Est.	1	1,200	1,200	1,200	0	1
1987 Est.	1	1,200	1,200	1,200	0	1
76.12 Registration Statements 2/						
1984 Act.	6,334	1,532	2,572	2,572	0	(5,294) 115 3/
1985 Act.	115	1,474	1,581	1,581	0	8
1986 Est.	8	1,600	1,600	1,600	0	8
1987 Est.	8	1,600	1,600	1,600	0	8

1/ On July 19, 1985, the U.S. Court of Appeals for the District of Columbia Circuit, invalidated the must-carry requirements. Consequently, the staff was able to dispose of all special relief petitions which sought waiver of the must-carry rules. The remaining special relief petitions seek waivers of rules that were not struck down in the Court's July 19 decision, and will be handled in conjunction with enforcement matters.

2/ Upon approval of a new cable TV system, the FCC must be notified with a 76.12 Registration Statement.

3/ During FY 1984 the FCC, through a rulemaking proceeding, eliminated the requirement that "supplemental" 76.12 Registration Statements be filed when an additional signal is added to an existing cable system. Of the 6,334 Registration Statements on hand at the beginning of FY 1984, 5,179 were "supplemental." As a result of the rulemaking proceeding, these 5,179 were dismissed. The 115 pending at the end of FY 1984 were 76.12 Registration Statements filed for new cable TV systems.

MASS MEDIA

Summary of Application Workload Statistics:

Fiscal Year	Pending Beginning of Year	Received During Year	Disposed During Year	Disposed Without Hearing	Designated for Hearing	Pending End of Year
1984 Act.	24,117	50,422	37,166	36,303	863	31,975 1/
1985 Act.	31,975	24,122	32,232	31,402	830	23,813 2/
1986 Est.	23,748 3/	51,020	30,877	29,654	1,223	43,891
1987 Est.	43,891	23,666	42,538	41,308	1,230	25,019

Number of Authorized Licensed Broadcast Stations:

Fiscal Year	AM	Com. FM	Educ. FM	Com. TV	Educ. TV	TV/LPTV Transl.	FM Transl.	Total
1984 Act.	4,754	3,656	1,165	893	287	5,136	895	16,788
1985 Act.	4,799	3,839	1,211	920	299	5,323	1,066	17,457
1986 Est.	4,850	4,000	1,254	975	311	5,620	1,275	18,285
1987 Est.	4,950	4,180	1,300	1,000	323	5,930	1,490	19,173

1/ During FY 1984 the FCC, through a rulemaking proceeding, eliminated the requirement that "supplemental" 76.12 Registration Statements be filed when an additional signal is added to an existing cable system. Of the 6,334 Registration Statements on hand at the beginning of FY 1984, 5,179 were "supplemental." As a result of the rulemaking proceeding, these 5,179 were dismissed. The 106 pending at the end of FY 1984 were 76.12 Registration Statements filed for new cable TV systems.

2/ The year-end pending counts for all broadcast and some cable television services for FY 1985 have been adjusted to reflect the results of an inventory of pending cases done during FY 1985.

3/ The 65 special relief petitions that were pending at the end of FY 1985 are being handled in conjunction with enforcement matters.

MASS MEDIA

3. ENFORCEMENT AND HEARINGS

This program comprises the investigative, enforcement and hearing functions of the Mass Media Activity. The hearing function encompasses all adjudicatory proceedings including AM, FM, TV, FM translators, distribution stations and cable systems including applications for license renewals, revocations and other matters pertaining to mass media services. The program also includes a large part of the Commission's public information workload in the mass media field due to the requirement of responding to thousands of letters from the public, members of Congress and other officials each year. Finally, rulings are issued to guide licensees as to their rights and obligations.

Program Personnel:	1985 Act.		1986 Est.		1987 Est.		Change	
	Pos.	WY	Pos.	WY	Pos.	WY	Pos.	WY
Enforcement and Hearings..............	96	108	111	112	111	111	--	-1

Personnel by Service:	1985 Act.		1986 Est.		1987 Est.		Change	
	Pos.	WY	Pos.	WY	Pos.	WY	Pos.	WY
AM......................	30	32	31	31	31	31	--	--
FM......................	33	39	36	37	36	36	--	-1
TV......................	33	37	44	44	44	44	--	--
Total.................	96	108	111	112	111	111	--	-1

FY 1985 Objectives/Accomplishments

Objective: Develop a full record to determine: (a) whether applicants are qualified; (b) among multiple applicants, which one is most deserving to receive the contested license; and (c) whether an existing licensee deserves to remain as such. Dispose of adjudicatory cases in the most expeditious manner possible.

Accomplishment: Full hearing records were developed in an expeditious manner. For example, a recent FY 1985 hearing calendar disclosed that there were 131 hearing proceedings, a reduction from 193 in FY 1984. The average age of those cases is 11.6 months, down from 13.2 months in FY 1984. These reductions were achieved despite the need to expend substantial staff resources in the SIN/SICC and RKO proceedings.

Objective: Examine all Fairness Doctrine and political broadcasting complaints. Conduct in-depth investigations of alleged substantial violations. Answer requests for ruling as time permits.

Accomplishment: All 8,624 Fairness Doctrine and political broadcasting complaints and inquiries were examined. Seven in-depth station inquiries were conducted because of alleged substantial violations. One hundred ninety-five staff rulings were issued; of that number, thirty were major rulings.

MASS MEDIA

Objective: Conduct on-site investigations of allegations of flagrant violations of Commission rules and policies. Conduct appropriate investigations into other serious violations. Evaluate and process the most serious violation notices referred by the Field Operations Activity.

Accomplishment: While one on-site investigation was conducted during FY 1985, some 646 other matters resulted in paper/telephone investigations. The subjects investigated included: fraudulent billing, payola, fraudulent contests, lotteries, unauthorized transfers of control, alien control, main studio rule violations, public rule violations, misrepresentations, advertising by non-commercial stations, and serious technical rule violations. These investigations resulted in monetary forfeitures, letters of admonition and hearing designations.

Objective: Respond to Congressional and other high priority inquiries/complaints in a timely manner.

Accomplishment: Three hundred seventy-five Congressional inquiries were received and answered in FY 1985. They were answered in an average response time of less than five days. All routine letters were handled within forty-five days of receipt; 95 percent within thirty days.

Objective: Process Annual Employment Reports (FCC Form 395 and 395-A), review the EEO performance of the broadcast and cable TV industries and process petitions to deny with EEO elements in a timely manner.

Accomplishment: The Annual Employment Reports for Broadcasting (FCC Form 395) and cable (FCC Form 395-A) were processed in a timely manner and the respective "industry trend reports" were published six months prior to their due dates. In accord with Commission guidelines, 2,054 employment units were reviewed, requiring 185 letters of inquiry and 111 sanctions. One hundred percent of the petitions to deny with EEO elements filed prior to and during FY 1985, were addressed, necessitating the preparation of twenty-four documents involving sixty-nine broadcast stations.

FY 1986 Objectives

1. Develop a full record to determine: (a) whether applicants are qualified; (b) among multiple applicants, which one is most deserving to receive the contested license; and (c) whether an existing licensee deserves to remain as such. Dispose of adjudicatory cases in the most expeditious manner possible.

2. Examine all Fairness Doctrine and political broadcasting complaints. Conduct in-depth investigations of alleged substantial violations. Answer requests for ruling as time permits.

3. Conduct on-site investigations of allegations of flagrant violations of Commission rules and policies. Conduct appropriate investigations into other serious violations. Evaluate and process the most serious violation notices referred by the Field Operations Activity.

4. Respond to Congressional and other high priority inquiries/complaints in a timely manner.

5. Process Annual Employment Reports (FCC Form 395), review the EEO performance of the broadcast industry and process petitions to deny with EEO elements in a timely manner.

6. Conduct a continuing program review which will ensure Equal Employment Opportunity (EEO) in every aspect of cable systems' employment policies and practices as required by The Cable Communications Policy Act of 1984 (P.L. 98-549).

FY 1987 Objectives

1. Develop a full record to determine: (a) whether applicants are qualified; (b) among multiple applicants, which one is most deserving to receive the contested license; and (c) whether an existing licensee deserves to remain as such. Dispose of adjudicatory cases in the most expeditious manner possible.

2. Examine all Fairness Doctrine and political broadcasting complaints. Conduct in-depth investigations of alleged substantial violations. Answer requests for ruling as time permits.

3. Conduct on-site investigations of allegations of flagrant violations of Commission rules and policies. Conduct appropriate investigations into other serious violations. Evaluate and process the most serious violation notices referred by the Field Operations Activity.

4. Respond to Congressional and other high priority inquiries/complaints in a timely manner.

5. Process Annual Employment Reports (FCC Form 395), review the EEO performance of the broadcast industry and process petitions to deny with EEO elements in a timely manner.

6. Conduct a continuing program review which will ensure Equal Employment Opportunity (EEO) in every aspect of cable systems' employment policies and practices as required by The Cable Communications Policy Act of 1984 (P.L. 98-549).

4. INTERNATIONAL

This program is involved with international commitments and treaty obligations, such as the North American Regional Broadcasting Agreement (NARBA), the U.S./Mexican bilateral agreement in AM, U.S./Mexican and U.S./Canadian agreement in TV, and the bilateral agreements with Canada and Mexico regarding FM. Notification of new and changed facilities in the AM/FM/TV bands are made by the U.S. to North and South American administrations to obtain concurrence. Foreign notifications are studied for conformity with applicable agreements, conflicting assignments are resolved, and new or modified agreements are negotiated as necessary. The International program provides U.S. representation in the coordination of the use of High Frequency Broadcasting channels most often held outside the U.S.

under auspices of the International Telecommunications Union (ITU). Participation in international committees and international conferences is a continuing function.

Program Personnel:	1985 Act.		1986 Est.		1987 Est.		Change	
	Pos.	WY	Pos.	WY	Pos.	WY	Pos.	WY
International...........	14	14	14	14	14	14	--	--

Personnel by Service:	1985 Act.		1986 Est.		1987 Est.		Change	
	Pos.	WY	Pos.	WY	Pos.	WY	Pos.	WY
AM......................	9	9	9	9	9	9	--	--
FM......................	3	3	3	3	3	3	--	--
TV......................	2	2	2	2	2	2	--	--
Total.................	14	14	14	14	14	14	--	--

FY 1985 Objectives/Accomplishments

Objective: Provide primary participation and technical expertise in bilateral treaty and agreement negotiations involving mass media services with our North American neighbors, including: AM treaty with Mexico, AM, FM and TV agreements with Canada; and special working arrangements with other Region 2 administrations, particularly those in the North American Zone.

Accomplishment: The Mass Media Bureau provided primary participation, technical expertise, and leadership in bilateral and agreement negotiations with foreign administrations on matters relating to mass media services. This activity included the continuing negotiations with Mexico for a new AM broadcasting agreement. In August 1985, a new AM agreement with Mexico was agreed to in principle, but several issues must be resolved before the agreement can be signed and implemented. It is expected that it will be finalized in FY 1986. Negotiations with Canada for a new FM agreement continue and are nearing completion. Additionally, negotiations with Canada concerning a new TV agreement have continued during FY 1985. Finally, negotiations with the Bahamas, Dominican Republic, and Venezuela on AM agreements have been held and negotiations with Mexico on modifications to existing FM and TV agreements have been ongoing during the year.

Objective: Provide extended technical expertise and in-depth preparation for U.S. participation in the 1986 Region 2 RARC to insure that the U.S. position is presented in the most forceful and convincing manner possible.

Accomplishment: The Mass Media Bureau has participated fully with an inter-Bureau preparatory committee charged with directing preparations for the 1986 Region 2 RARC. Operating within this committee, Bureau staff has participated in the development of detailed planning papers related to studies, preparations for conference participation and preparatory meetings and issuance of public notices.

MASS MEDIA

Objective: Determine, in accordance with relevant treaties and agreements, which U.S. broadcast stations must be internationally coordinated, to insure expeditious notification to meet the various timetables for notifications (which vary according to nation and service).

Accomplishment: This was accomplished and involved the notification of AM, FM and TV assignments to the ITU and to the Bahamas, Dominican Republic, Mexico and Canada.

Objective: Continue high frequency coordination.

Accomplishment: Continued participation in High Frequency (HF) international broadcasting conferences to coordinate seasonal HF broadcasting schedules of private international broadcasters under the jurisdiction of the FCC with the Voice of America, British Broadcasting Corporation, Canadian Broadcasting Corporation, Deutsche Welle, Radio Free Europe, Radio Liberty Network, and Radio Nederland.

Other Accomplishments:

1) The Bureau participated in the International Radio Consultative Committee (CCIR) Joint Interim Working Party groups 8-10/1 looking toward solving the interference problem to aviation receivers from high powered FM stations.

2) The Bureau participated in preparation for the 1985 Space WARC Conference held in Geneva in August, 1985. This included studies related to broadcast related services and Bureau recommendations for U.S. positions at the Conference.

FY 1986 Objectives

1. Provide primary participation and technical expertise in bilateral treaty and agreement negotiations involving mass media services with our North American neighbors, including: AM treaty with Mexico, FM and TV agreements with Canada; and special working arrangements with other Region 2 administrations, particularly those in the North American Zone.

2. Provide extended technical expertise and in-depth preparation for U.S. participation in the 1986 Region 2 RARC, to insure that the U.S. position is presented in the most forceful and convincing manner possible.

3. Determine, in accordance with relevant treaties and agreements, which U.S. broadcast stations must be internationally coordinated. To insure expeditious notification to meet the various timetables for notifications (which vary according to nation and service).

4. Continue high frequency coordination.

FY 1987 Objectives

1. Provide primary participation and technical expertise in bilateral treaty and agreement negotiations involving mass media services with our

North American neighbors, including: AM treaty with Mexico, FM and TV agreements with Canada; and special working arrangements with other Region 2 administrations, particularly those in the North American Zone.

2. Provide extended technical expertise for U.S. participation in the 1986 Region 2 RARC, to insure that the U.S. position is presented in the most forceful and convincing manner possible.

3. Determine, in accordance with relevant treaties and agreements, which U.S. broadcast stations must be internationally coordinated. To insure expeditious notification to meet the various timetables for notifications (which vary according to nation and service).

4. Continue high frequency coordination.

JUSTIFICATION

We are requesting $40,000 to purchase a micro-computer and color graphics software to automate the AM interference study program. The use of color graphics for the plotting of groundwave and skywave contours as well as rapid identification of areas of interference, would expedite the study of foreign AM broadcast notifications, as well as the resolution of incompatibilities during bilateral negotiations. It would also provide additional assistance in planning for the second session of the Region 2 Administrative Conference for planning the AM Expanded Band. We also plan to use the micro-computer to develop improved methods for studying international notifications for FM and TV stations.

In addition, the micro-computer would be used in the development of a system of AM notifications with Canada and the International Registration Board through the exchange of floppy disks. Such a system would eliminate the introduction of additional errors in the respective data bases resulting from key-stroke errors. It would also save time for the data management staff and would permit expedited studies of foreign notifications. It is also envisioned that a similar means would be developed for exchanging notifications with Canada for FM and TV.

III. COMMON CARRIER

The Common Carrier Activity consists of the development and administration of policies and programs for the regulation of the services, facilities, rates and practices of all entities which furnish interstate or foreign communication services for hire--whether by wire, radio, cable or other such services. Specific functions include review of carrier service, charges, classifications, regulations and practices for justness, reasonableness, and nondiscrimination; authorization and regulation of carrier facility investments and service offerings; prescription of depreciation practices and accounting systems. The Commission, principally through its Common Carrier Bureau, also handles complaints and inquiries from the public, monitors quality of carrier service, prescribes and enforces equal employment opportunity practices by the carriers, and participates in international common carrier facility planning.

Financial Requirements:	1985 Act.	1986 Est.	1987 Est.	Change
Personnel Compensation	$ 13,610	$ 13,375	$ 13,779	$ +404
Personnel Benefits	1,471	1,454	1,501	+ 47
Benefits for Former Personnel.	14	18	18	--
Other Obligations	3,583	3,906	4,090	+184
Total....................	$ 18,678	$ 18,753	$ 19,388	$ +635

Personnel by Program:	1985 Act.		1986 Est.		1987 Est.		Change	
	Pos.	WY	Pos.	WY	Pos.	WY	Pos.	WY
1. Accounting and Audits	65	48	65	53	67	66	+2	+13
2. Rate and Service Regulation	122	136	124	125	124	124	--	-1
3. Authorization of Service and Facilities	147	149	143	145	144	144	+1	-1
4. International...............	20	21	20	20	20	20	--	--
Total	354	354	352	343	355	354	+3	+11

Personnel by Organization:	1985 Act.		1986 Est.		1987 Est.		Change	
	Pos.	WY	Pos.	WY	Pos.	WY	Pos.	WY
Common Carrier Bureau	330	330	330	319	333	332	+3	+13
Administrative Law Judges ...	6	6	2	3	2	2	--	-1
Legal Services	1	1	2	2	2	2	--	--
Dockets	4	4	5	5	5	5	--	--
Information Management	12	12	12	12	12	12	--	--
Review Board	1	1	1	2	1	1		-1
Total	354	354	352	343	355	354	+3	+11

COMMON CARRIER

Activity Objectives

1. Establish a regulatory framework in which competitive entry into regulated markets is encouraged and competition is not diminished in those markets where we have determined that open entry is in the public interest.

2. Pursue policies which encourage diversity, innovation and the development of new services.

3. Provide best possible service to the public and the industry.

4. Pursue policies on international common carrier telecommunications matters designed to provide the American public with reasonably priced, reliable international telecommunications services and at the same time represent the best interest of the United States.

5. Oversee a program of continuing review of regulations, policies and procedures to eliminate or modify those that are shown to be unnecessary or unduly burdensome.

6. Where regulation is in the public interest, assure the availability of essential regulated services at reasonable rates.

7. Collaborate with the States in studies of Federal-State common carrier telecommunciation regulatory matters.

1. ACCOUNTING AND AUDITS

This program involves administration of the FCC Uniform System of Accounts for regulated carriers; including Commission regulations for reporting and preservation of records; review and approval of carriers' accounting reports; review and summarization of carriers' financial and operating reports; and selective field audits of carriers' financial and operating practices, procedures and records; analysis of carrier's depreciation practices and charges for capitalized costs.

Personnel by Program:	1985 Act.		1986 Est.		1987 Est.		Change	
	Pos.	WY	Pos.	WY	Pos.	WY	Pos.	WY
Accounting and Audits	65	48	65	53	67	66	+ 2	+13

Personnel by Function:	FY 1985		FY 1986		FY 1987		Change	
	Pos.	WY	Pos.	WY	Pos.	WY	Pos.	WY
Audit Function	24	21	24	22	24	24	--	+2
Other Accounting Functions ..	41	27	41	31	43	42	+2	+11
Total	65	48	65	53	67	66	+2	+13

COMMON CARRIER

FY 1985 Objectives/Accomplishments

Objective: Perform reviews of carrier's accounting systems to assure conformance with Commission regulations and recent Commission and Court decisions.

Accomplishment: Performed audits at New York Telephone Co., C&P of Va. and Southwestern Bell Telephone Company to test their accounting systems designed to accumulate equal access/network reconfiguration costs incurred because of divestiture and recoverable through FCC tariffs. Reviewed conformance to Computer II rules at Illinois Bell Telephone Company, Bell South Telephone Company, Pacific Bell Telephone Company, New York Telephone Company, and Mountain States Telephone Company. Also, completed analysis at New York Telephone Company regarding assignment of central office equipment and circuit equipment for separations purposes, and monthly separations and retirement procedures for outside plant.

Objective: Audit Bell Operating Companies (BOCs) after divestiture.

Accomplishment: As part of our continuing audit of the BOCs, we have audited the assignment of costs by Ameritech, Bell South, NYNEX, Pactel, Southwestern and US West, Regional Bell Operating Companies (RBOCs) to their regulated telephone subsidiaries (New York Tel, etc.) to assure that such assignments are equitable to the regulated companies and their ratepayers.

Objective: Provide audit support for the revision to Part 31 of the FCC Rules, Uniform System of Accounts (USOA) for Class A and Class B Telephone Companies.

Accomplishment: During the course of the year audit support was regularly provided for both the existing USOA and the proposed USOA. This support came in the form of continuing technical advice, participation on committees reevaluating the accounting rules, and recommendations based on deficiencies revealed in actual audits. For instance, costs passed by holding companies to the regulated subsidiaries were audited to evaluate, among other things, the adequacy of our existing rules in today's changing environment and to recommend changes. Likewise, equal access costs were audited to ascertain what costs were allowable as equal access costs and to recommend rule changes necessary to assure their proper acounting classification.

Objective: Complete staff work on revision of the Uniform System of Accounts for telephone companies (Parts 31 and 33 of the FCC Rules and Regulations); begin development of a computerized data base management system to accompany the new USOA.

Accomplishment: On January 3, 1985, a Further Notice of Proposed Rulemaking was issued. Comment and reply comment periods were extended in response to respondents' request. The reply comment period closed July 3, 1985. One hundred and sixty-three comments and 34 reply comments totalling more than 2500 pages are being analyzed. To date, 28 major issues have been isolated. On August 7, 1985, the Commission ordered the staff to discuss certain areas of the proposals which prompted carriers to request longer implementation lead times and to complain of high dollar costs in their comments. A draft Notice of Proposed Rulemaking soliciting comments on the computerized data base is nearing completion and will be issued early in FY 1986.

Objective: Provide technical accounting expertise and advice to other programs in the Common Carrier Activity as required.

Accomplishment: Provided technical guidance and assistance through development of 12 technical papers covering such topics as the proper accounting for antitrust settlements and related costs, the detariffing of maintenance and installation of inside wiring, and the revision of record retention requirements prescribed in Part 42. In addition, provided technical guidance on the restructuring of the accounting and auditing staff and the assimilation of the Computer II activities into on-going Common Carrier functions.

Objective: Maintain and administer the Commission's accounting, reporting and record preservation rules and regulations to assure the sustained integrity of industry economic and financial data and continue to review carriers' annual reports for compliance with FCC Rules.

Accomplishment: Six accounting and reporting rulemaking actions were issued. They included actions to account for nonregulated activities in separate books of account, to detariff the installation and maintenance of inside wiring, to rewrite the Uniform System of Accounts for Telephone Companies, and to propose the elimination of several reporting schedules. Thirteen filings for waiver or interpretation of the accounting, reporting and record retention rules were processed, and six interpretations related to the separations manual were issued. Twenty-two filings of journal-entries and pension plans requiring Commission approval were processed. Thirty annual reports of carriers were reviewed for compliance with the Commission rules.

Objective: Recommend prescription of remaining life and Equal Life Group (ELG) depreciation rates for carriers which will have their regular triennial review in FY 1984.

Accomplishment: FCC Order No. 84-620 was approved on December 19, 1984. By this order the Commission prescribed remaining life and ELG rates for all accounts of fourteen telephone carriers operating in twenty-two states.

Objective: Conduct regular triennial review of service lives, salvage percentages, and depreciation rates (for all accounts) for one-third of the carriers. This also entails an ELG rate review of all accounts.

Accomplishment: Full reviews were completed for fourteen carriers which operated in 21 states. Three-way agreements were reached for all life and salvage factors for 15 of the 21 states. For the remainder, two-way agreements (i.e., FCC and state) have been reached.

Objective: Conduct initial review of service lives, salvage percentages, and depreciation rates for one-third of the ATTIX carriers.
Accomplishment: Full reviews were completed for all twenty-two of the ATTIX carriers and for AT&T's Interstate Division. In addition depreciation prescription orders were approved by the Commission for all of these companies.

Objective: Review any outstanding/newly presented studies of accounts and/or companies not previously reviewed.
Accomplishment: Depreciation rates were reviewed in full for Citizens of California for the first time. In addition, rates were reviewed and prescribed for the newly created accounts: 235 for coin telephone and 262 for official communications equipment for all jurisdictions.

Objective: Modify automated depreciation rate analysis programs to provide for the changing requirements of the Commission.
Accomplishment: One major automated system was completed during the year which allows us to calculate all depreciation generation arrangements for a jurisdiction simultaneously.

Objective: In relation to the Computer II decision, monitor and audit transactions between AT&T's separate subsidiary and other parts of AT&T; monitor and audit transactions for each RBOC; monitor compliance with marketing, information flow and other Computer II rules; and review billing of shared administrative services.
Accomplishment: During FY 1985, the Commission completed an inquiry into the obligation of AT&T to reimburse ratepayers for Customer Premises Equipment (CPE) development expenses incurred by Western Electric; reviewed and approved, subject to reporting requirements, a transfer of employees and assets from Western Electric and Bell Telephone Laboratories (BTL) to ATTIS; completed an audit on the amount of BTL fundamental research expenses allocated to ATTIS; waived the Computer II rules to allow ATTIS to share software development costs with its affiliated companies; reviewed and conditionally approved capitalization plans filed by the RBOC's for their Computer II subsidiaries; initiated audits of sales agency agreements between RBOC telephone companies and their Computer II subsidiaries; conducted field audits of six RBOC's, concentrating on propriety of financial transactions between their regulated and Computer II companies and non-discriminatory treatment of CPE vendors; waived, subject to condition, structural separation requirements to allow the RBOC's to perform protocol conversion in facilities located in their central offices.

FY 1986 Objectives

1. Complete work on revision of the Uniform System of Accounts for telephone companies by issuing final rules (new Part 32 of the FCC Rules and Regulations) and develop other revisions of the accounting, reporting and

record retention rules, as necessary, to keep them abreast of changes in the industry, changes in regulatory policies, and changes in professional accounting standards.

2. Respond to requests for interpretations, clarifications, and waivers of the Commission's accounting, reporting and record retention rules to maintain uniform accounting practices and relieve unnecessary regulatory burdens.

3. Receive, review, and file all carrier submissions required by the Commission's prescribed accounting systems, financial reporting requirements, and Computer II orders to assure the sustained integrity of industry economic and financial data.

4. Prescribe cost allocation factors for separating costs between regulated and non-regulated activities and between interstate and intrastate operations under the new Uniform System of Accounts. Act on rule interpretations, clarifications and waivers related thereto.

5. Perform audits of carrier accounting records to assure compliance with Commission regulations and recent Commission and court decisions concerning the allocation of costs between regulated and nonregulated activities, between interstate and intrastate operations, and among the various regulated service classifications.

6. Recommend prescription of remaining life and equal-life-group depreciation rates based on FY 1985 triennial reviews, and conduct regular triennial reviews of service lives, salvage percentages, and depreciation rates for all accounts of the 12 local exchange and eight interexchange carriers scheduled for regular triennial review in FY 1986.

7. Administer the Commission's Rules regarding depreciation and review and resolve any depreciation issues not previously resolved, especially those related to the level of the carriers' depreciation reserves, and coordinate the Commission's depreciation prescription process with the state commissions, including assisting in National Association Regulatory Utility Commission's (NARUC) efforts to update its Manual of Depreciation Engineering for Public Utilities.

FY 1987 Objectives

1. Continue to modify the Uniform System of Accounts (new Part 32 of the FCC Rules and Regulations) to reflect changes in the industry, new regulatory decisions, changes in professional accounting standards, and assist carrier transition to the new accounting system by identifying transitional difficulties, formulating and implementing appropriate solutions, and providing instructions and guidance to carriers.

2. Respond promptly to increasing numbers of requests for interpretations, clarifications, and waivers by implementation of the new accounting system, and, as necessary, interpret, clarify, and waive the accounting, reporting and record retention rules to maintain uniform accounting practices and relieve unnecessary regulatory burdens.

3. Receive, review and file all carrier submissions required by the Commission's prescribed accounting system, financial reporting requirements, and Computer II orders to assure the sustained integrity of industry economic and financial data.

4. Develop financial and costing model to meet the Bureau's broad range of regulatory information needs with regard to rate of return, costing methodologies, access charges, separations, and depreciation reserves.

5. Perform audits of carrier accounting records to assure compliance with Commission regulations and recent Commission and court decisions concerning the allocation of costs between regulated and nonregulated activities, between interstate and intrastate operations, and among the various regulated service classifications.

6. Recommend prescription of remaining life and equal-life-group depreciation rates based on FY 1986 triennial reviews, conduct regular triennial review of service lives, salvage percentages, and depreciation rates for all accounts of the 14 local exchange carriers and seven interexchange carriers scheduled for review in FY 1987, and conduct an annual update of depreciation rates for all local exchange carriers that request such rates.

7. Administer the Commission's Rules regarding depreciation, review and resolve any depreciation issues not previously resolved, especially those related to the level of the carriers' depreciation reserves, and coordinate the Commission's depreciation prescription process with the state commissions, including assisting in NARUC's efforts to update its Manual of Depreciation Engineering for Public Utilities.

8. Process carrier requests for waivers and interpretations. Administer rulemakings regarding the allocation of joint and common costs made between state and interstate jurisdictions under Part 67 of the Commission's Rules and for structural separations for CPE and enhanced services under Part 64 of the Commission's Rules.

FY 1987 Justification

An additional clerk is requested to support depreciation rates studies, and an additional contact representative is requested to develop and maintain the central files and public reference room for filings related to depreciation rates, Computer II, and accounting and pension requirements.

COMMON CARRIER

The clerk for depreciation rates is necessary to maintain the current objectives of processing depreciation rate studies within 60 days, annual updates within 30 days, and responding to a variety of information requests in a timely manner. The contact representative is necessary to meet the increasing public requests for access to information filed with the Commission as well as an increase in the number of filings required of regulated carriers under Commission orders, rules, letters, and Computer II instructions. Workload in this area is expected to increase about 20% per year.

In support of the audit function, the Commission is requesting $26,000 for personal and portable personal computers for its audit staff. The computers will significantly improve the efficiency of the audit teams and reduce the amount of staff time required to complete an audit.

The Commission is requesting $280,000 for applications programming for the data base resulting from the new Uniform System of Accounts (USOA) for telephone companies. The revision of the USOA involves a nearly geometric increase in the amount of detailed industry financial and statistical data which must be available for timely and comprehensive automated summarization, review, and analysis if we are to satisfy the dictates of Congress and objectives of the Commission as enumerated in this proceeding. A computerized database management system will provide the capability to perform timely and accurate costing studies, financial and special periodic reports, and analyses of facility and plant utilization. The system will help ensure that the prices set for each level of service are based on the costs of providing that service. A manual system to accompany the new USOA would not provide this capability, and we would be unable to satisfactorily address upcoming issues.

In addition, $92,000 is requested for ADP supplies and associated computer support for the USOA computer. These funds are needed to complete the minicomputer installation which will begin in FY 1986. The FY 1987 funds will be used to procure furniture and supplies, ensure adequate maintenance and provide for computer operator expenses.

2. RATE AND SERVICE REGULATION

This program involves examination of tariffs to determine lawfulness; development of rules and regulations regarding tariffs and complaints: ratemaking investigations, including inquiries into carrier rate bases, rate levels, structures, and rates of return; review of jurisdictional separations of plant used jointly for interstate and intrastate services; processing formal and informal complaints regarding quality of service and other non-rate matters; review of carrier performance; and review of complaints regarding rates, terms, and conditions for pole attachments.

COMMON CARRIER

Personnel by Program:	1985 Act. Pos.	1985 Act. WY	1986 Est. Pos.	1986 Est. WY	1987 Est. Pos.	1987 Est. WY	Change Pos.	Change WY
Rate and Service Regulation	122	136	124	125	124	124	--	-1

FY 1985 Objectives

Tariff Review and Procedures

Objective: Review tariff filings within statutory time limit.

Accomplishment: All tariffs filed were reviewed and processed within established time frames. Tariffs were permitted to take effect, rejected or investigated during a suspension period as warranted.

Objective: Continue work on implementation of nationwide access charges for use of local exchange facilities by interexchange carriers.

Accomplishment: In FY 1985 three major orders regarding the special access tariffs were prepared. These orders, released in November 1984, February 1985 and March 1985, resulted in implementation of local exchange carrier tariffs for special access services. Some aspects of these tariffs were set for investigation. Comments and replies have been received in that investigation, and staff work on the investigation is currently underway. Also in FY 1985 a major order ruling on request for waiver of the filing requirements of the 1985 Access Tariffs was completed. Finally, the staff's review of the 1985 Access Tariffs, filed July 2, 1985, was in progress at the end of the fiscal year.

Objective: Continue work on rate structure reform for AT&T; continue to analyze service markets to determine the extent of regulation, if any, needed to be imposed upon various participants.

Accomplishment: The major work on rate structure reform for AT&T in FY 1985 involved AT&T's tariffs for Private Line services. The staff conducted extensive discussions with AT&T as well as extensive independent analysis of a private line rate restructuring proposal submitted by AT&T. These efforts resulted in the first major restructuring of AT&T's rates for private line services in several years. The new structure moves toward a "building block" approach more closely relating rates to costs and allowing more customer flexiblity.

In addition the staff is considering how to proceed in the competitive carrier rulemaking in light of the Court's recent reversal of the detariffing order. A reconsideration of the Commission's Fifth Report and Order in that proceeding, extending forbearance to additional classes of carriers, is nearing completion.

The staff also reviewed two other major rate structure proposals made by AT&T--the PRO America Tariff and the software defined network tariff. Both of these tariffs were suspended and set for investigation. Staff work on these investigations is now in progress.

COMMON CARRIER

Enforcement Activities

Objective: Process all formal complaints under Section 208 of the Act; litigate in hearing those issues raised in Title II of the Communications Act.

Accomplishment: Resolved 59 formal complaints and eliminated more than four-fifths of the backlog. Complaints were resolved within an average of 72 days, exceeding the speed of service goal. (See workload chart.) No hearings were instituted.

Objective: Administer the informal complaints function and prepare timely response to Congressional correspondence, other written correspondence and telephone inquiries.

Accomplishment: Resolved 6,275 consumer and small business written complaints and inquiries. Handled 8,509 consumer comments to proceedings and filings. Responded to 14,152 verbal inquiries and complaints. Replied to all Congressional correspondence within an average of seven days. During FY 1985, the informal complaints process resolved hundreds of complaints involving the transition to equal access and related presubscription balloting issues.

Objective: Assure upon complaints that the rates, terms and conditions for Pole Attachments are just and reasonable, developing guidelines, as needed for resolution of new issues raised in individual complaints.

Accomplishment: Resolved 59 pole attachment complaints, assuring that rates, terms and conditions for pole attachments are just and reasonable, developing guidelines, as needed, for the resolution of new issues. The backlog of pole attachment complaints was eliminated, and the current complaints were resolved within an average of 45 days, exceeding the speed of service goal. (See workload chart.)

Jurisdictional Separations

NOTE: The work related to these two objectives is so interrelated that we are answering the two objectives below in one accomplishment statement.

Objective: Continue work on issues related to allocation of non-traffic sensitive local exchange costs.

Objective: In conjunction with personnel from State regulatory bodies, proceed with work on other issues referred to under the Federal-State Joint Board process.

Accomplishment: During Fiscal Year 1985, a number of jurisdictional separations and cost recovery issues have been dealt with through the Joint Board process. Each of these topics is discussed separately below:

1. Subscriber Line Charges. In November 1984, the Joint Board recommended implementation of limited subscriber line charges for residential and single line business subscribers in conjunction with

measures to allow implementation of alternative tariffs for the recovery of carrier common line costs and procedures for review of experimental tariff proposals for the recovery of non-traffic sensitive costs through the Joint Board process. At the same time, the Joint Board recommended revisions in the measures for assisting subscribers in areas where the cost of providing telephone service is unusually high as well as measures to allow the equivalent of a waiver of the subscriber line charge for low income households. The Commission adopted the Joint Board's recommendations with very minor changes in December 1984. The Commission also adopted substantive guidelines for alternative tariffs in February 1985.

2. Allocation of Local Commercial Operations. In March 1985, the Joint Board recommended revised interim procedures for allocation of the costs in Account 645, Local Commercial Operations. These changes were designed to prevent a sudden shift of these costs to the intrastate jurisdiction as a result of AT&T's discontinuation of billing inquiry service offered by the Bell Operating Companies. At the same time, the Joint Board requested comments concerning permanent measures for the allocation of Account 645 costs as well as further comments concerning the allocation of equal access network reconfiguration costs. In May 1985, the Commission adopted the Joint Board's recommendations for interim separations procedures and provided for interim revisions to the access charge tariffs to reflect the separations changes. The Joint Board requested additional comments concerning the allocation of Account 645 costs in July 1985.

3. Experimental Tariffs. In January 1985, the Commission requested comments on a proposal by the Florida Public Service Commission for an experimental unified state/interstate access charge tariff. The Joint Board concluded that it could not recommend implementation of the Florida proposal as presently formulated because it would recover more costs from interexchange carriers than the FCC access charge plan. The Joint Board recommended that the Commission ask Florida to revise its proposal.

4. Lifeline Service. In March 1985, at the direction of the Commission, the Joint Board requested comments on a number of issues related to the development of measures to assist low income households in affording telephone service. The Joint Board adopted a request for further comments in July 1985.

5. OCC Traffic Measurement. In April 1985, the Commission also instituted a second Joint Board proceeding to examine the measurement of other common carrier switched access usage for purposes of applying state and interstate access charge tariffs.

6. Central Office Equipment and Interexchange Facilities. In June 1985, the Joint Board requested preliminary comments delineating and prioritizing the issues related to separation procedures for central office equipment and interexchange plant.

7. Other Separations/Access Issues. In July 1985, the Joint Board adopted recommendations concerning: (a) an increase in the subscriber line charge for embedded Centrex/CO lines; (b) the direct assignment of closed end WATS access lines; (c) rejection of proposals for expansion of the CPE phase-out plan; and (d) certain other minor separation changes.

8. Equal Access Network Reconfiguration. In July 1985, the Joint Board recommended that network reconfiguration costs associated with the AT&T divestiture continue to be allocated based on the existing separation procedures. The Joint Board also recommended a limited definition of equal access costs and proposed allocation of these costs on the basis of relative equal access traffic.

9. Alaska Rate Integration and Competition. The Commission instituted a third Joint Board proceeding to deal with rate integration for Alaska and implemention of competition in the Alaska interstate market in September 1985.

Domestic Telecommunications Policy

Objective: Continue work on cost allocation manual and on carrier interconnection.

Accomplishment:
(For the sake of clarity, we have grouped these decisions according to subject matter.)

1. Customer Premises Equipment (CPE). In October 1984, the Commission established procedures for the states to deregulate embedded independent telephone company-owned CPE. In May 1985, the Commission upheld contractual and tariff provisions establishing charges for early termination of long term contracts for multiple CPE leased from ATTIS. In July, the Commission proposed deregulation of national security and emergency preparedness CPE and other CPE still under regulation. In August, the Commission began to review state deregulation plans and assist the states in revising their plans.

2. Structural Separations. In January 1985, the Commission ruled that AT&T could provide end-to-end service for 21 specified National Security Emergency Preparedness Systems. The Commission waived the structural separation requirements established in Computer II to allow AT&T to provide these systems. In August, the Commission rejected petitions for reconsideration of the decision to allow ATTIS to resell the basic services of any carrier, including AT&T Communications. The Commission found that

marketplace forces, reporting requirements, and review of AT&T Communication's tariffs would prevent anticompetitive behavior by ATTIS. In September, the Commission allowed AT&T to provide customer premises equipment free of the structural separation requirements imposed in Computer II by replacing the requirements with a series of non-structural safeguards.

3. Implementation of Equal Access. In January 1985, the Commission established procedures for resolution of operational and technical problems encountered by the other common carriers related to the implementation of equal access. In March, the Commission established procedures for the implementation of equal access by the non-GTE independent telephone companies, technical planning for interconnection of the interexchange and local exchange carriers, and national security emergency preparedness planning.

4. Access Charges. In March 1985, the Commission adopted changes in the access charge rules to eliminate the flat rate charge for non-premium access charges and substitute per minutes charges. The Commission reaffirmed this decision on reconsideration in September. Also in March, the Commission clarified the exemption from the private line surcharge.

5. Earnings. In November 1984, the Commission ordered AT&T and the BOCs to refund over $100 million in excess earnings for 1978. This decision was reaffirmed on reconsideration in May 1985.

6. Rate Integration. In December 1984, the Commission deferred the January 1, 1985 date on which the final step of rate integration was to become effective for Alaska pending resolution of rulemaking proceedings dealing with this issue. The Commission also granted the General Communications Incorporated (GCI) petition for interim relief, in which it alleged economically and technically discriminatory interconnections were being provided by AT&T to Alascom, Inc. GCI was granted interim relief in the form of WATS distribution from Seattle, Washington, at a rate of $0.85 per minute for its southbound Alaska originating traffic. This relief will extend until the resolution of the rulemaking proceeding in this Docket.

Industry Analysis

Objective: Monitor the changing telecommunications industry to provide timely analysis of industry trends and economic conditions, including such issues as the extent, nature and causes of bypass, and the impact of Commission actions on the price and availability of basic telephone service. Continue the agreement with the Census Bureau to provide the staff with a statistical tape, combining economic statistics and telephone related data at an annual charge of $30,000.

Accomplishment: The staff completed a comprehensive study of the extent, nature and causes of bypass which was adopted as a Commission Report in December 1984. Completed comprehensive study of the impact of Commission actions on price and availability of telephone service which was also adopted as a Commission Report in December 1984. Continued the agreement with the Census Bureau for statistical information. The first data tapes were received in 1984 and preliminary analyses completed. More detailed analysis scheduled for completion in FY 1986. Reached agreement with Rural Electrification Administration (REA) whereby REA will generate additional information on rural service at no cost to the Commission.

Objective: Monitor the impact of access charges on the behavior of telephone subscribers.
Accomplishment: The impact of access charges on telephone subscribers was analyzed in the overall study of the impact of Commission actions described in the previous objective. In addition, special emphasis was placed on analyzing the impact of access charges on small business including a separate Commission Report and Order dealing with small business concerns; participation with the General Accounting Office (GAO) in preparation of a report on small business; cooperation with the staff of the House of Representatives in their small business research; designing guidance for Bell Communications Research in their study of impact of access charges on small business; and preparation of Congressional testimony.

Objective: Provide reliable and timely economic data concerning common carriers by publishing the annual Statistics of Communications Common Carriers, quarterly operating reports, and other reports.
Accomplishment: Statistics of Communications Common Carriers and other reports were published as scheduled. In addition, a new quarterly survey of state rate cases was designed and scheduled for regular publication beginning in FY 1986. Notices were published to eliminate two statistical reports (Consolidated System 901 and Holding Company Form H) which are no longer needed by the Commission. Staff participated in revision of Form M which began in FY 1985 and is continuing in FY 1986 and the revisions to the type of data now received from international record carriers under Section 43.61.

Objective: Monitor the development of the nation's telephone network in light of technological enhancements and new services.
Accomplishment: Agency staff working in conjunction with the staff from the House of Representatives and GAO designed research on regulatory barriers to new technology. Began monitoring fiber optic and Integrated Switched Digital Network (ISDN) developments. Completed studies of equal access and Shared Network Facility Agreements.

COMMON CARRIER

FY 1986 Objectives

Tariff Review and Procedures

1. Review tariff filings within statutory time limit.

2. Continue work on implementation of nationwide access charges for use of local exchange facilities by interexchange carriers.

3. Continue work on rate structure reform for AT&T; continue to analyze service markets to determine the extent of regulation, if any, needed to be imposed upon various participants.

Enforcement Activities

1. Process all formal complaints under Section 208 of the Act.

2. Administer the informal complaints function and prepare timely response to Congressional correspondence and telephone inquiries.

3. Assure when a complaint is received, that the rates, terms and conditions for Pole Attachments are just and reasonable, developing guidelines, as needed, for resolution of new issues raised in individual complaints.

Jurisdictional Separations

1. In conjunction with personnel from State regulatory bodies, proceed with work on issues that arise under the Federal-State Joint Board process.

Domestic Telecommunications Policy

1. Continue to create a fully competitive marketplace for the provision of communications services and equipment.

Industry Analysis

1. Monitor the changing telecommunications industry to provide timely analysis of industry trends and economic conditions, including such issues as the extent, nature and causes of bypass, and the impact of Commission actions on the price and availability of basic telephone service. Continue the agreement with the Census Bureau to provide the staff with a statistical tape, combining economic statistics and telephone related data.

2. Monitor the impact of access charges on the behavior of telephone subscribers.

3. Provide reliable and timely economic data concerning common carriers by publishing the Statistics of Communications Common Carriers, quarterly operating reports, and other reports.

4. Monitor the development of the nation's telephone network in light of technological enhancements and new services.

FY 1987 Objectives

Tariff Review and Procedures

1. Review tariff filings within statutory time limit.

2. Continue work on implemenation of nationwide access charges for use of local exchange facilities by interexchange carriers.

3. Continue work on rate structure reform for AT&T; continue to analyze service markets to determine the extent of regulation, if any, needed to be imposed upon various participants.

Enforcement Activities

1. Process all formal complaints under Section 208 of the Act.

2. Administer the informal complaints function and prepare timely response to Congressional correspondence and telephone inquiries.

3. Assure when a complaint is received, that the rates, terms and conditions for Pole Attachments are just and reasonable, developing guidelines, as needed, for resolution of new issues raised in individual complaints.

Jurisdictional Separations

1. In conjunction with personnel from State regulatory bodies, proceed with work on issues that arise under the Federal-State Joint Board process.

Domestic Telecommunications Policy

1. Continue to create a fully competitive marketplace for the provision of communications services and equipment.

Industry Analysis

1. Monitor the changing telecommunications industry to provide timely analysis of industry trends and economic conditions, including such issues as the extent, nature and causes of bypass, and the impact of Commission actions on the price and availability of basic telephone service. Continue

the agreement with the Census Bureau to provide the staff with a statistical tape, combining economic statistics and telephone related data.

2. Monitor the impact of access charges on the behavior of telephone subscribers.

3. Provide reliable and timely economic data concerning common carriers by publishing the Statistics of Communications Common Carriers, quarterly operating reports, and other reports.

4. Monitor the development of the nation's telephone network in light of technological enhancements and new services.

COMMON CARRIER

TARIFF WORKLOAD 1/

	FY 1985 Actual	FY 1986 Estimate	FY 1987 Estimate	FY 1987 % Change Over FY 1985 Actual
Tariffs Filed	3324	3500	3850	16%
Supporting Economic Data (§ 61.38)	665	500	525	-21%
Special Permission Applications	1041	1200	1300	25%

1/ As a result of the Court rejecting mandatory detariffing of certain non-dominant carriers, the expected minor reductions in tariff activity did not occur. The gross amount of tariff pages accompanying these filings has grown dramatically, from 22,453 pages in FY 1982 to 46,334 pages in FY 1983, 75,827 pages in FY 1984 and 71,464 pages in FY 1985. These pages continue to involve issues of a far greater complexity and more controversial nature than ever before. The overwhelming majority stems from access tariff filings which are usually contested.

COMMON CARRIER

ENFORCEMENT WORKLOAD

	FY 1985 Actual	FY 1986 Estimate	FY 1987 Estimate
Formal Complaints - Initial			
Pending Beginning of FY	51	63	58
--current (less than 120 days)	11	36*	39
--backlog (more than 120 days)	16	4*	0
--deferred (awaiting policy resolution)	24	23*	19
Filed	52	50	50
Resolved	40	55	60
Pending End of FY	63	58	48
--current	40	39	35
--backlog	3	0	0
--deferred	20	19	13
Formal Complaints - Petitions for Reconsideration/Applications for Review			
Pending Beginning of FY	9	7	12
--current (less than 180 days)	2	5	12
--backlog (more than 180 days)	6	1	0
--deferred (awaiting policy resolution)	1	1	0
Filed	17	20	20
Resolved	19	15	22
Pending End of FY	7	12	10
--current	5	12	10
--backlog	1	0	0
--deferred	1	0	0

* Backlog is recomputed at the beginning of each fiscal year. Thus, "Pending at End of FY" figures will not necessarily be the same as those pending at the beginning of the next fiscal year. For example, of the 40 current complaints pending at end FY 1985, three were added to FY 1986 backlog and one was deferred, leaving 36 pending. Of the three backlogged at end FY 1985, two became deferred, leaving one remaining. This one plus the three new backlog cases total four for pending at the beginning of FY 1986. Deferred cases, therefore, increased from 20 to 23 due to this recomputation.

COMMON CARRIER

	FY 1985 Actual		FY 1986 Estimate		FY 1987 Estimate	
Pole Attachment - Complaints						
Pending Beginning of FY		19		15		30
--current (less than 90 days)	8		13		0	
--backlog (more than 90 days)	11		0		0	
--deferred			2		30**	
Filed		20		15		20
Resolved		24		0		40***
Pending End of FY		15		30		10
--current	13		0			
--backlog	0		0			
--deferred ** (awaiting policy resolution)	2		30**		10	
Pole Attachments - Petitions for Reconsideration/Applications for Review						
Pending Beginning of FY		21		2		6
--current (less than 120 days)	9		2		0	
--backlog (more than 120 days)	12		0		0	
--deferred **			0		6**	
Filed		16		4		20
Resolved		35		0		10***
Pending End of FY		2		6		16
--current	2		0		16	
--backlog	0		0		0	
--deferred **			6**		0	
FOIA's						
Pending Beginning of FY		3		5		0
Number of Requests		34		35		35
Processed		32		40		35
Pending End of FY		5		0		0

** The 11th Circuit U.S. Court of Appeals held that the Pole Attachment Act (47 U.S.C. §224) is unconstitutional. Therefore, on the advice of the Office of General Counsel we are accepting new complaints, but are holding pole attachment matters in abeyance until further notice.

*** Assuming the Supreme Court reverses the 11th Circuit.

COMMON CARRIER

	FY 1985 Actual	FY 1986 Estimate	FY 1987 Estimate
Confidentiality			
Pending Beginning of FY	7	3	0
Number of Requests	16	10	15
Processed	20	13	15
Pending End of FY	3	0	0
Interlocking Directorates			
Pending beginning of FY	10	2	0
Filed	69	100****	110****
Processed	77	102	110
Pending End of FY	2	0	0

**** Future receipts are expected to increase, based on the first two month's receipts in FY 1986. We believe receipts are increasing due to the publicity generated by the Commission's rulemaking action pursuant to Section 217 of the Act. Commission workload, however, will be reduced because the revised rules substantially reduce the need for Commission action.

COMMON CARRIER

ENFORCEMENT WORKLOAD

	FY 1985 Actual	FY 1986 Estimate	FY 1987 Estimate
Informal Written Complaints and Inquiries			
Pending Beginning of FY	3,201	1,995	595
Receipts	5,069	5,000	5,000
Disposals	6,275	6,400	5,595
Pending End of FY	1,995	595	0
Informal Written Comments			
Pending Beginning of FY	0	0	0
Receipts	8,509	9,500	9,500
Disposals	8,509	9,500	9,500
Pending End of FY	0	0	0
Verbal Complaints and Inquiries			
Pending Beginning of FY	3,305	96	96
Receipts	10,943	10,000	10,000
Disposals	14,152	10,000	10,000
Pending End of FY	96	96	96

3. AUTHORIZATION OF SERVICE AND FACILITIES

This program involves authorization of new services to the public and transmission facilities and radio stations used by communications common carriers in providing interstate and overseas communications services. This includes examination of applications for new or modified radio, cable or wireline facilities, for the construction of satellite and earth stations, or for certification of customer provided terminal equipment for direct connection to the telephone network; frequency coordination; issuance of licenses and other authorizations; action on requests for temporary authority or rule waivers; development of policy, rules, technical standards, procedures and forms for the authorization of service and facilities. Until the end of FY 1985, the program also involved adjudicatory hearings on contested or mutually exclusive applications. During FY 1985, the Common Carrier Activity proposed to abolish the Hearing Division of its Common Carrier Bureau. This action is contingent on Commission and Congressional approval. However, this Budget has been prepared assuming that the Division will be abolished.

Personnel by Program	1985 Act.		1986 Est.		1987 Est.		Change	
	Pos.	WY	Pos.	WY	Pos.	WY	Pos.	WY
Authorization of Service and Facilities	147	149	143	145	144	144	+1	-1

Personnel by Service	FY 1985		FY 1986		FY 1987		Change	
	Pos.	WY	Pos.	WY	Pos.	WY	Pos.	WY
Mobile	53	57	53	56	53	56	--	--
Domestic	58	56	58	56	59	56	+1	--
International	12	12	12	12	12	12	--	--
Hearing	--	--	--	--	--	--	--	--
Common Carrier Support ...	6	6	6	6	6	6	--	--
Information Management....	12	12	12	12	12	12	--	--
Admin. Law Judges	6	6	2	3	2	2	--	-1
Total	147	149	143	145	144	144	+1	-1

FY 1985 Objectives

Objective: Process applications expeditiously.

Accomplishment: The activity lowered backlogs in 14 service categories during FY 1985. (See Workload Chart.)

Objective: Foster an unregulated competitive marketplace both domestically and internationally through rule elimination, simplification or proposed legislation.

Accomplishment: Addressed petitions for reconsideration of Network Paging Rulemaking. Completed action on Reports and Orders authorizing automatic air-ground signalling and assigning air-ground channels to Austin, Texas. Completed the final decisions for the top 30 market non-wireline cellular comparative hearings with the San Diego, Tampa, and Miami Final Decisions. This will permit construction and operation of competitive non-wireline cellular systems in all of the top thirty markets. Completed Cellular lottery reconsideration, established rule changes for future lottery filings. Completed action on agenda item dealing with applications that appeared to be mere "lottery tickets," dealing with perceived abuses of application filing process. Issued Memorandum Opinion and Order approving proposed purchase of minority interest in Bay Area Cellular Telephone Company (non-wireline carrier in San Francisco and San Jose) by PacTel Mobile Access, a wireline carrier, over objections on legal and policy grounds. Proposed licensing rules for a competitive, multiple entry radio determination satellite service. Authorized an additional 20 domestic fixed satellites to be launched into orbit through the end of the decade to permit entry of four new companies into the market and to substantially expand the availability of competitively supplied satellite services. Reduced case-by-case review of individual applications for innovative two-way small antenna satellite services at 6 GHz by establishing a presumption that the satellites could be routinely licensed through a simple power density criteria. Streamlined Part 68 registration program by eliminating unnecessary filing procedures; resulted in 200,000 burden hour reduction for filers. Completed action on item granting tax certificates for non-wireline cellular settlements.

Objective: Continue to review regulations to eliminate or modify those that are unnecessary.

Accomplishment: Completed action on item proposing limited preemption of state jurisdiction over common carrier mobile and paging systems and forbearing from regulation of interstate mobile and paging system. Proposed rules for limited preemption of discriminatory local regulation of receive-only earth station antennas. Preempted restrictions imposed by Nebraska Public Utility Commission on data transmission services by cable television systems.

FY 1986 Objectives

1. Process applications expeditiously.

2. Foster an unregulated competitive marketplace both domestically and internationally through rule elimination, simplification or proposed legislation.

3. Continue to review regulations to eliminate or modify those that are unnecessary.

COMMON CARRIER

FY 1987 Objectives

1. Process applications expeditiously.

2. Foster an unregulated competitive marketplace both domestically and internationally through rule elimination, simplification or proposed legislation.

3. Continue to review regulations to eliminate or modify those that are unnecessary.

4. Improve automated support for Domestic Services.

FY 1987 Justification

One position is requested for a computer programmer to maintain and improve a variety of critical database systems for Satellite Processing, Earth Station Processing and International Coordination, Equipment Registration, Multipoint Distribution Service (MDS) Processing and Digital Electronic Message Service (DEMS) Processing. Initial efforts will be devoted to developing the Satellite Processing System. In addition, this analyst will be able to assist in the decentralization of the Common Carrier Activity's automation efforts.

An additional $12,000 is also requested to upgrade engineering methods in the Microwave, Multipoint Distribution (Single and Multichannel) Satellite Services and Cellular and Land Mobile Services. These services require various engineering analyses of the interference potential related to an applicant's proposed communications system. In limited circumstance, the staff currently uses crude "x/o" plots which do not provide the clarity to see interference effects in certain situations. The funds will be used to purchase more modern plotters which will improve our analysis and decision making and improve efficiency.

COMMON CARRIER

WORKLOAD STATISTICS

Application Workload Statistics

	Pending Beginning of FY	Receipts	Total Workload	Disposals	Pending End of FY	Speed 1/ of Service	Work-Years
Major Land Mobile 2/							
FY 1985 Act.	5,140	3,978	9,118	5,006	4,112	140	12.66
FY 1986 Est.	4,112	4,400	8,512	5,000	3,512	150	13
FY 1987 Est.	3,512	4,400	7,912	6,400	1,512	150	14 3/
Cellular Radio							
FY 1985 Act.	5,502	347	5,849	1,901	3,948	90	24
FY 1986 Est.	3,948	36,000*	39,948	10,000**	29,948	180	26 4/
FY 1987 Est.	29,948	5,000***	34,948	30,000****	4,948	180	20
Minor Land Mobile							
FY 1985 Act.	879	1,572	2,451	1,117	1,334	175	3.45
FY 1986 Est.	1,334	2,000	3,334	2,000	1,334	180	4.5 5/
FY 1987 Est.	1,334	2,000	3,334	3,000	334	180	5.5 6/
Individual Aeronautical							
FY 1985 Act.	273	2,701	2,974	2,871	103	30	.95
FY 1986 Est.	103	2,800	2,903	2,800	103	28	1
FY 1987 Est.	103	1,300	1,403	1,403	0 7/	28	.5
Transfers and Assignments							
FY 1985 Act.	115	385	500	492	8	30	.975
FY 1986 Est.	8	550	558	500	58	60	1
FY 1987 Est.	58	650	708	650	58	60	1.5

---

1 Speed of service listed is for routine applications.

2 Major Land Mobile Program is a consolidation of the former Major Land Mobile (Routine), Major Land Mobile (Non-Routine), 900 MHz (Routine), and 900 MHz (Non-Routine).

3 Increased productivity in FY 1987 due to one reallocated workyear and the implementation of on-line automated application processing system for common carrier land mobile (designated as CLM).

COMMON CARRIER

4 Includes workyears from private radio activity in Gettysburg, Pennsylvania for application filing process. Productivity increase results from disposal of applications for markets 91-135.

5 Revised processing methods plus one reallocated workyear for applications are expected to result in increased productivity for Minor Land Mobile applications in FY 1986.

6 Reallocation of personnel and availability of on-line CLM application processing system are expected to increase disposals and productivity in FY 1987.

7 A rulemaking to eliminate this licensing program will be undertaken in FY 1986 and is expected to result in completion of processing individual aeronatical applications by mid-FY 1987.

* Includes 1,000 modification and covering license applications of a relatively routine nature and 35,000 initial construction permit applications for markets 121-305. The latter number is an estimate based on industry trends rather than historical data, and is subject to a substantial margin of error.

** Includes disposal of applications for markets 91-120 (3889 applications), markets 121-135 (8000 applications), and modifications/covering licenses (718 applications).

*** Includes 1000 modification/covering license applications and 4000 rural cellular applications.

**** Includes disposal of 27,000 applications for markets 136-305, 2,000 rural cellular applications, and 1000 modification/covering license applications.

COMMON CARRIER

Application Workload Statistics

	Pending Beginning of FY	Receipts	Total Workload	Disposals	Pending End of FY	Speed 1/ of Service	Work-Years
Multipoint Distribution Service-Routine (single channel)							
FY 1985 Act.	17	150	167	144	23	60	0.7
FY 1986 Est.	23	50	73	57	16	60	0.5
FY 1987 Est.	16	60	76	60	16	60	0.5
Multipoint Distribution Service-Non-routine (single channel)							
FY 1985 Act.	266	30	296	131	165	291	1.7
FY 1986 Est.	165	30	195	80	115	150	1.5
FY 1987 Est.	115	30	145	60	85	130	1.0
Multichannel Multipoint Distribution Service-Non-routine							
FY 1985 Act.	16,329	100	16,429	367	16,062	N/A	5.3 2/
FY 1986 Est.	16,062	300	16,362	7,000	9,362	N/A	9.5 2/
FY 1987 Est	9,362	2,000	11,362	7,000	4,362	N/A	9.5
Digital Electronic Message Service - Non-routine							
FY 1985 Act.	1,754	375	2,129	675	1,454	250	2.50
FY 1986 Est.	1,454	375	1,829	700	1,129	225	2.50
FY 1987 Est.	1,129	300	1,429	800	629	100	3.00
Point/Point Microwave-Routine							
FY 1985 Act.	1,899	7,250	9,149	8,300	849	60	5.0
FY 1986 Est.	849	7,500	8,349	7,349	1,000	60	4.0
FY 1987 Est.	1,000	6,000	7,000	7,000	0	60	4.0
Point/Point Microwave-Non-routine							
FY 1985 Act.	576	700	1,276	707	569	100	2.2
FY 1986 Est.	569	700	1,269	700	569	100	2.2
FY 1987 Est.	569	700	1,269	700	569	100	2.2
Space Stations							
FY 1985 Act.	166	50	216	50	166	N/A	2.3
FY 1986 Est.	166	75	241	85	156	N/A	4.2
FY 1987 Est.	156	100	256	130	126	N/A	6.2
Earth Stations-Routine							
FY 1985 Act.	334	2,450	2,784	2,450	334	55	3.6
FY 1986 Est.	334	2,450	2,784	2,450	334	55	3.6
FY 1987 Est.	334	2,450	3,784	2,450	334	55	3.6

1/ Speed of service is for routine applications.

COMMON CARRIER

2/ The workyears devoted to this service in FY 1985 were preparing applications for lottery, other pre-lottery activities and dismissing applications. The MMDS lottery, originally scheduled for June 28, 1985, was postponed as a result of the D.C. Court of Appeals decision issued June 27. Relatively few MMDS applications can be disposed of until resolution of the women's preference issue. Most of the disposals shown in FY 1985 are from applicants dismissing applications because of having filed multiple applications in the same service area. The increased workyears in FY 1986 and FY 1987 will be used to run the lotteries and handle post lottery processing.

..

COMMON CARRIER

Application Workload Statistics

	Pending Beginning of FY	Receipts	Total Workload	Disposals	Pending End of FY	Speed1/ of Service	Work-Years
Earth Stations-Non-routine							
FY 1985 Act.	1,439	500	1,939	500	1,439	N/A	2.2
FY 1986 Est.	1,439	600	2,039	750	1,289	N/A	3.2
FY 1987 Est.	1,289	600	1,889	750	1,139	N/A	3.2
Domestic Services 214's-Routine							
FY 1985 Act.	29	320	349	340	9	48	3.5
FY 1986 Est.	9	250	259	250	9	40	3.0
FY 1987 Est.	9	150	175	166	9	40	2.0
Domestic Services 214's -Non-routine							
FY 1985 Act.	76	10	86	41	45	180	1.85
FY 1986 Est.	45	10	55	41	14	180	1.85
FY 1987 Est.	14	40	54	41	13	180	1.85
Equipment Registration							
FY 1985 Act.	391	2,100	2,491	2,100	391	45	3.25
FY 1986 Est.	391	2,500	2,891	2,500	391	45	3.75
FY 1987 Est.	391	2,500	2,891	2,500	391	45	3.75
Routine International Telephone and Telegraph (214)							
FY 1985 Act.	9	193	202	198	4	40	1.76
FY 1986 Est.	4	220	224	220	4	40	2.30
FY 1987 Est.	4	200	204	204	0	40	2.30
Routine International Space & Earth Stations							
FY 1985 Act.	4	50	54	47	7	60	0.83
FY 1986 Est.	7	35	42	38	4	60	1.15
FY 1987 Est.	4	35	39	39	0	60	1.15
Non-Routine International Telephone and Telegraph (214)							
FY 1985 Act.	33	44	77	61	16	92	3.33
FY 1986 Est.	16	42	58	46	12	120	3.00
FY 1987 Est.	12	45	57	46	11	120	3.00
Non-Routine International Space & Earth Stations							
FY 1985 Act.	12	53	65	56	9	78	3.72
FY 1986 Est.	9	28	37	28	9	120	3.30
FY 1987 Est.	9	30	39	30	9	120	3.50

1/ Speed of service is for routine applications.

4. INTERNATIONAL

This program involves development and coordination of informed Commission policies governing international telecommunications facilities, services and operational practices; direction and coordination of internal and external activities concerned with preparation for international telecommunications conferences and representation of the Commission at such conferences; and coordination and monitoring the implementation of Commission decisions and the recommendations of international conferences and meetings.

Personnel by Program	1985 Act.		1986 Est.		1987 Est.		Change	
	Pos.	WY	Pos.	WY	Pos.	WY	Pos.	WY
International...............	20	21	20	20	20	20	--	--

FY 1985 Objectives

International Policy

Objective: Participate in International Facilities Planning for the North Atlantic Region, the Pacific Region and the Caribbean Region.

Accomplishment: Hosted a working group meeting on the North Atlantic Consultative Process in Orlando, Florida. Also the staff served as primary advisors to the Chairman in North Atlantic Facilities Planning Senior Level Meeting in England as part of our continuing responsibilities. Views were exchanged among U.S., Canada, and European telecommunications administrations concerning future North Atlantic facilities. The Commission adopted the guidelines for distribution of circuits among available North Atlantic Facilities during the 1986-1991 period (CC Docket No. 79-184). The Report and Order on Pacific Ocean Region facilities (CC Docket No. 81-343) adopted by the Commission concluded that a transpacific fiber optic cable as early as 1988 with a ring design and a Guam landing point would be in the public interest.

Objective: Analyze issues and prepare appropriate recommendations for Commission action related to access to and ownership of international telecommunications facilities.

Accomplishment: Analyzed major policy issues concerning access to and ownership of international telecommunications facilities. A more open and flexible earth station ownership policy was adopted. This policy permits the ownership and operation of earth stations which operate with the Intelsat global satellite system by any carrier. Previous policy limited ownership to a consortium of carriers and limited operation to Comsat. On the other hand, Comsat was permitted to continue to serve as the sole U.S. investor in Intelsat space segment.

Objective: Analyze extension of competitive carrier rulemaking policies to international telecommunications.

COMMON CARRIER

Accomplishment: The Commission issued a Notice of Proposed Rulemaking in April 1985, to extend the Commission's competitive carrier rulemaking policies to international telecommunications. The item finds that two product/service markets exist and that each country is a separate geographic market. The item tentatively concludes that no carrier is dominant in the provision of record services and that AT&T (as well as entities such as Hawaiian Telephone Company which have geographic dominance) is dominant in the provision of International Message Telecommunication Service (IMTS).

Objective: Conduct rulemaking proceeding on non-carrier acquisition of Indefensible Right of Users, Data Network Identification Codes, and Recognized Private Operating Agencies; conduct ongoing proceeding on Integrated Switched Digital Network (ISDN).

Accomplishment: Initiated a Notice of Proposed Rulemaking in July 1985 concerning non-carrier acquisition of Indefensible Rights of Users, Data Network Identification Codes, and Recognized Private Operating Agencies. Work continued during the fiscal year on the ongoing ISDN proceeding.

Objective: Develop monitoring effort of international communications markets. Continue to develop statistical compilation for World Plan Conference and COMCITEL.

Accomplishment: Participated as delegate to the World Plan Committee Meeting held in Washington, DC. Developed a monitoring effort which allowed us to compile statistics of traffic and facility planning data used by the Committee in their collection of worldwide information for the World Plan. Served as delegate to the CITEL meeting in South America to aid Latin American countries in meeting their telecommunications requirements.

Objective: Oversee Comsat restructuring.

Accomplishment: Continued to oversee Comsat restructuring by issuing Structure Reconsideration Order and the Final Report and Order streamlining Comsat's financial reporting requirements. Implemented a program for public dissemination of documents Comsat receives as the U.S. Signatory to the INTELSAT and INMARSAT organization. Assisted in analyzing Comsat Structure Tariffs. Authorized User II policy was adopted permitting Comsat to provide space segment capacity directly to users and to provide end-to-end services through a separate subsidiary.

International Representation

Objective: Prepare U.S. positions and lead U.S. delegations to CCITT (especially the Eighth Plenary Assembly, which occurs only once every four years), CITEL, INMARSAT, INTELSAT, CCIR meetings (especially in preparation for and participation in the 1985 Space WARC at Geneva) and for international frequency coordination with Canada and Mexico. Review and comment on INTELSAT and INMARSAT documents, attend pre-conference and post-conference briefings and provide U.S. "instructions" when necessary.

COMMON CARRIER

Accomplishment: During fiscal year 1985, the staff accomplished the following: reviewed documents, attended pre-brief and de-brief meetings, and assisted in writing U.S. government instructions to the U.S. Signatory for INTELSAT and INMARSAT; participated in FCC preparations for the 1985 Space WARC, including Space WARC Advisory Committee activities. In addition, the staff also participated in the following: VIIIth Plenary Assembly of the CCITT, governing adoption of reports and recommendations developed during 1981-84 Plenary Period and establishment of work program for 1985-88 Plenary Period (Torremolinos, Spain, October 1984) and Organization of American States CITEL/PTC-1 meeting for organization and structure of Western Hemisphere program on international services and cooperation for CCITT inputs (Rio de Janeiro, November 1984).

Objective: Compile, review, comment on and distribute CCITT and CCIR documents; seek consistency of foreign administrations and Regional Private Operating Agency "contributions" with U.S. policy. Participate as needed in CCITT Study Groups concerning tariff principles, Maritime Mobile Services, definition and operational aspects of telegraph and telematic services, Integrated Services Digital Network (ISDN) and other areas of national concern.

Accomplishment: The staff participated in the following: CCITT Study Group XI--Telephone and ISDN Switching and Signalling meeting, (Munich, West Germany, November 1984); CCITT Study Group XVIII--ISDN Group of Experts interregnum meeting (London, January 1985); Bilateral negotiations/arrangements and finalization of U.S./Mexican border agreement on land mobile (cellular) operation (Mexico City, January 1985); CCITT Special Study Group "S", regarding review and initial steps toward reorganization/restructure of the CCITT (Geneva, February 1985-initial meeting); and CCITT Study Group XI--Telephone and ISDN Switching and Signalling (Geneva, March 1985).

Objective: Represent Commission at World and Regional Administrative Radio Conferences and other international meetings such as Organization of Economic Cooperation and Development and CITEL. Conduct bilateral negotiations with foreign administrations concerning international telecommunications policies, especially as they relate to 1985 Space WARC.

Accomplishment: The staff participated in the following: Bilateral and Multilateral preparatory meetings in conjunction with ORB-85/Space WARC -- United Kingdom (London, November 1984), Canada (Washington, November 1984), NATO/ARFA Joint Working Group (Brussels, November 1984), Western European and Other Governments (Geneva, November 1984), CITEL Space WARC Coordination Seminar (Buenos Aires, November 1984), Caribbean Seminar (CBI) on transborder satellite and Space WARC (Jamaica, October 1984), France (Paris, February 1985), Western European and Other Governmental Groups (Geneva, February 1985), Argentina (Buenos Aires, March 1985). Bilateral meetings were also held with Brazil and INTELSAT to complete frequency coordination of U.S. domestic satellites. The Space WARC Advisory Committee held meetings during the second quarter FY 1985. The Second Report of the

Advisory Committee was delivered to the Commission in January, with distribution also to Departments of Commerce, State, and Defense, NASA, Ad Hoc 178 and U.S. Core Delegation Group. The First Report and Order on ORB-85/Space WARC (Docket 80-741) was presented to the Commission in March 1985, incorporating the first tier U.S. proposals, which in turn was sent to Department of State. Second tier U.S. proposals were presented to the Commission in June 1985. Staff was participating at ORB 85 sessions in Geneva as the fiscal year ended.

FY 1986 Objectives

International Policy

1. Participate in International Facilities Planning for the North Atlantic Region, the Pacific Region and the Caribbean Region.

2. Analyze issues and prepare appropriate recommendations for Commission action related to access to and ownership of international telecommunications facilities; comment on legislative proposals as they effect international telecommunications issues.

3. Analyze extension of competitive carrier rulemaking policies to international telecommunications.

4. Conduct rulemaking proceeding on non-carrier acquisition of Indefensible Right of Users, Data Network Identification Codes, and Recognized Private Operating Agencies; conduct ongoing proceeding on Integrated Switched Digital Network.

5. Develop monitoring effort of international communications markets. Continue to develop statistical compilations for World Plan Conference and COMCITEL.

6. Oversee Comsat restructuring, information flow and direct access issues.

International Representation

1. Prepare U.S. positions and lead U.S. delegations for international meetings dealing with common carrier telecommunications related issues.

2. Review and comment on INTELSAT and INMARSAT documents, attend pre-conference and post-conference briefings and provide U.S. "instructions" when necessary.

3. Compile, review, comment on and distribute CCITT and CCIR documents; seek consistency of foreign administration and RPOA "contributions" with U.S. policy. Participate as needed in CCITT Study Groups concerning tariff

principles, Maritime Services, definition and operational aspects of telegraph and telematic services, Integrated Services Digital Network (ISDN) and other areas of national concern.

4. Represent Commission at World and Regional Administrative Radio Conferences and other international meetings such as OECD and CITEL. Conduct bilateral negotiations with foreign administrations concerning international telecommunications policies.

FY 1987 Objectives

International Policy

1. Participate in International Facilities Planning for the North Atlantic Region, the Pacific Region and the Caribbean Region.

2. Analyze issues and prepare appropriate recommendations for Commission action related to access to and ownership of international telecommunications facilities; comment on legislative proposals as they effect international telecommunications issues.

3. Analyze extension of competitive carrier rulemaking policies to international telecommunications.

4. Conduct rulemaking proceeding on non-carrier acquisition of Indefensible Right of Users, Data Network Identification Codes, and Recognized Private Operating Agencies; conduct ongoing proceeding on Integrated Switched Digital Network.

5. Develop monitoring effort of international communications markets. Continue to develop statistical compilations for World Plan Conference and COMCITEL.

6. Oversee Comsat restructuring.

International Representation

1. Prepare U.S. positions and lead U.S. delegations for international meetings dealing with common carrier telecommunications related issues.

2. Review and comment on INTELSAT and INMARSAT documents, attend pre-conference and post-conference briefings and provide U.S. "instructions" when necessary.

3. Compile, review, comment on and distribute CCITT and CCIR documents; seek consistency of foreign administration and RPOA "contributions" with U.S. policy. Participate as needed in CCITT Study Groups concerning tariff principles, Maritime Services, definition and operational aspects of

telegraph and telematic services, Integrated Services Digital Network (ISDN) and other areas of national concern.

4. Rep-esent Commission at World and Regional Administrative Radio Conferences and other international meetings such as OECD and CITEL. Conduct bilateral negotiations with foreign administrations concerning international telecommunications policies.

IV. PRIVATE RADIO

The Private Radio Activity promotes the use of radio spectrum to fulfill the communications needs of businesses, state and local governments, aircraft, ships, and individuals. Over two million licensees use radio to promote safety of life and property, to increase productivity, and to advance the science of telecommunications. Specific functions include evaluation of new technologies, determination of appropriate utilization levels for assigned spectrum, resolution of interference between licensees, and issuance of authorizations. The regulatory objective for these radio services is to make available to all people of the United States rapid, efficient, and orderly radio communications.

Financial Requirements:	1985 Act.	1986 Est.	1987 Est.	Change
Personnel Compensation.......	$6,093	$5,954	$5,927	$-27
Personnel Benefits...........	723	726	735	+9
Benefits for Former Personnel..................	10	12	12	--
Other Obligations............	2,906	2,810	3,096	+286
Total...................	$9,732	$9,502	$9,770	$+268

Personnel by Program:	1985 Act.		1986 Est.		1987 Est.		Change	
	Pos.	WY	Pos.	WY	Pos.	WY	Pos.	WY
1. Land Mobile Services.....	31	29	31	27	31	27	--	--
2. Authorization of Svc.....	156	176	156	164	156	164	--	--
3. Special Services.........	25	27	25	25	25	24	--	-1
Total...................	212	232	212	216	212	215	--	-1

Personnel by Organization:	1985 Act.		1986 Est.		1987 Est.		Change	
	Pos.	WY	Pos.	WY	Pos.	WY	Pos.	WY
Private Radio Bureau.........	194	213	194	198	194	197	--	-1
Adjudication Division........	1	1	1	1	1	1	--	--
Dockets......................	1	1	1	1	1	1	--	--
Information Mgmt.............	16	17	16	16	16	16	--	--
Total...................	212	232	212	216	212	215	--	-1

Activity Objectives

1. Remove restrictions that limit competition or deter new technologies.

2. Systematically review all services to identify rules, policies, procedures and information requirements which are unnecessary.

3. Increase the efficiency of application processing.

4. Respond to telecommunications requirements for safety of life and property.

5. Prepare, coordinate and present national positions at international forums which concern private radio services.

PRIVATE RADIO

1. LAND MOBILE SERVICES

The Land Mobile Services program develops and implements Commission policy for the Private Land Mobile and Microwave Radio Services through rulemaking, rule waiver, enforcement, liaison with industry and users, and other regulatory processes. These processes require sensitivity to the needs of the licensees, who range from small businesses to large public utilities, and include public safety and state and local government agencies, all of whom use radio as an integral part of their daily operations. This program also enforces rules requiring effective utilization of the available spectrum.

Personnel by Program:	1985 Act.		1986 Est.		1987 Est.		Change	
	Pos.	WY	Pos.	WY	Pos.	WY	Pos.	WY
Land Mobile Services.......	31	29	31	27	31	27	--	--

Personnel by Service:	1985 Act.		1986 Est.		1987 Est.		Change	
	Pos.	WY	Pos.	WY	Pos.	WY	Pos.	WY
Land Mobile................	27	25	27	23	27	23	--	--
Microwave..................	4	4	4	4	4	4	--	--
Total..................	31	29	31	27	31	27	--	--

FY 1985 Objectives/Accomplishments

Objective: Review the comments and replies submitted in response to the Notice of Inquiry in PR Docket 84-232 regarding Future Public Safety Telecommunications Requirements and prepare a report.

Accomplishment: The staff completed its review and analysis of the comments and reply comments to the Notice of Inquiry in PR Docket 84-232. A report was then prepared on Future Public Safety Telecommunications Requirements based on these comments. The report documents how public safety allocations are distributed and used in the nation's largest cities, draws conclusions about how much spectrum may be needed in the future and offers for consideration a number of options to meet these requirements. The Commission released the report on August 1, 1985, and invited further public comments on its conclusions and recommendations until December 19, 1985.

Objective: Conclude rulemaking proceedings in PR Docket 84-109 which proposes amending the permissible communications rules in the Private Land Mobile Radio Services.

Accomplishment: The Commission adopted the Report and Order in PR Docket 84-109 which relaxed the permissible communications rules for licensees with exclusive channel assignments but continued the rules for licensees on shared channels. This action gave the licensees of exclusive channels greater flexibility to operate their systems more efficiently by allowing them to use the same facilities for different communications purposes.

PRIVATE RADIO

Objective: Review private land mobile and microwave radio rules under the Commission's Master Regulatory Review Plan to determine which can be modified or eliminated in order to reduce the regulatory burden on the public.

Accomplishment: During FY 1985, the Land Mobile Services program completed its responsibilities under the Commission's three year Master Regulatory Review Plan by concluding the review of all 301 land mobile and microwave rules. During the course of this review, 57% of the land mobile and microwave rules were modified, simplified, or eliminated. During FY 1985, the Commission adopted 16 items prepared by the Land Mobile Services program which eliminated five rules and revised or simplified 37 other rules. While the formal Master Regulatory Review Plan was completed this year, the program will continue to systematically review its rules in order to further reduce the regulatory burden on the public.

Objective: To limit anti-competitive behavior in the Private Land Mobile and Microwave Radio Services, operate the enforcement plan to recover channels from licensees who have failed to construct facilities or who have failed to meet Commission loading standards.

Accomplishment: During FY 1985, the program recovered a total of 646 channels from underloaded or unconstructed 800 MHz systems and made them available to waiting list applicants. Since the inception of this program in FY 1983, 1,866 channels in waiting list areas have been recovered.

Other Accomplishments

1. The Commission adopted final rules in PR Docket 84-414 which removed unnecessary restrictions governing the interconnection of private land mobile radio stations operating in the frequency bands below 800 MHz with the public switched telephone network. Restrictions on interconnection in certain radio services within 75 miles of the nation's 25 largest cities were relaxed when the consent of co-channel licensees could be obtained. Restrictions on common point interconnection, i.e., the sharing of telephone service and interconnection equipment, were removed. Other requirements involving base station monitoring equipment and time limits on interconnected transmissions were also relaxed.

2. The Commission adopted final rules in PR Docket 84-279 which authorized the use of narrowband technologies for base and mobile communications in the Private Land Mobile Radio Services. The rules were amended to permit 5 kHz narrowband channels to be established between existing FM channel assignments. As a result of the new channeling plan, three narrowband channels were created between every two existing FM channels in all services except Business Radio. In the Business Radio Service, six narrowband channels were created between each pair of FM channels.

3. The Commission released a First Report and Order in PR Docket 83-426 in April 1985 that facilitated the availability of microwave communications systems to small businesses and state and local governments. It accomplished this by permitting private microwave licensees to make excess capacity

available to other Part 94 eligibles on a for-profit basis, and by allowing entrepreneurs to establish microwave systems to provide private carrier service. The rules adopted also simplify the requirements governing cooperative sharing and joint use of microwave facilities. Additionally, in August 1985, the Commission adopted a Further Notice of Proposed Rulemaking in this docket proposing to allow Part 94 licensees, excluding dominant common carriers, to lease excess capacity for common carrier communications.

4. As part of a series of actions allocating the 41 MHz of land mobile reserve spectrum in the 900 MHz band, the Commission released its proposal in General Docket 84-1233 to make 12 MHz of reserve spectrum available for use by the private land mobile radio services, and require the use of narrowband equipment on this spectrum. The proposal would apportion the 12 MHz among four service pools: 30% for the Public Safety Radio Services (which includes state and local governments), 20% for the Industrial and Land Transportation Radio Services, 20% for Business Radio, and 30% for Specialized Mobile Radio Systems (SMRS).

5. The Commission completed lottery proceedings to choose licensees from among competing applicants for Specialized Mobile Radio (SMR) 800 MHz channels in all 13 metropolitan areas where there were more applications for SMR facilities than there were frequencies available. The 800 MHz lottery program allowed SMR service to be swiftly introduced to many areas without the necessity of costly and time-consuming adjudicatory hearings.

FY 1986 Objectives

1. Initiate rulemakings to allow the introduction of new technologies, new services or operational options in the Private Land Mobile and Microwave Radio Services.

2. Review private land mobile and microwave radio rules to determine which can be modified or eliminated in order to reduce the regulatory burden on the public.

3. Operate the enforcement plan to recover channels from licensees who have failed to construct facilities or who have failed to meet Commission loading standards in order to limit anti-competitive behavior in the Private Land Mobile and Microwave Radio Services.

4. Answer complex public inquiries from private land mobile and private microwave users regarding their communications systems requirements.

FY 1987 Objectives

1. Initiate rulemakings to allow the introduction of new technologies, new services or operational options in the Private Land Mobile and Microwave Radio Services.

PRIVATE RADIO

2. Review private land mobile and microwave radio rules to determine which can be modified or eliminated in order to reduce the regulatory burden on the public.

3. Operate the enforcement plan to recover channels from licensees who have failed to construct facilities or who have failed to meet Commission loading standards in order to limit anti-competitive behavior in the Private Land Mobile and Microwave Radio Services.

4. Answer complex public inquiries from private land mobile and private microwave users regarding their communications systems requirements.

2. AUTHORIZATION OF SERVICE

This program acts on applications for station licenses, operator permits, Special Temporary Authorizations, and rule waivers. The work of the Program involves formulating and administering procedures, forms, and explanatory bulletins for applicants. The Program also has the responsibility for coordinating border authorization requests with Canada to prevent harmful interference. The bulk of the workload consists of examination of nearly 1,000,000 applications per year to determine whether they can be granted. In addition, the Program responds to approximately 178,000 public inquiries each year.

Personnel by Program:	1985 Act.		1986 Est.		1987 Est.		Change	
	Pos.	WY	Pos.	WY	Pos.	WY	Pos.	WY
Authorization of Service...	156	176	156	164	156	164	--	--

Personnel by Service:	1985 Act.		1986 Est.		1987 Est.		Change	
	Pos.	WY	Pos.	WY	Pos.	WY	Pos.	WY
Aviation....................	8	9	8	9	8	9	--	--
Marine......................	10	11	10	11	10	11	--	--
Land Mobile.................	109	122	109	115	110	116	+1	+1
Microwave...................	15	17	15	15	15	15	--	--
General Mobile..............	3	5	3	4	3	4	--	--
Amateur.....................	7	8	7	7	7	7	--	--
Restricted Permits..........	4	4	4	3	3	2	-1	-1
Total..................	156	176	156	164	156	164	--	--

PRIVATE RADIO

FY 1985 Objectives/Accomplishments

Objective: Provide speeds of service in the following ranges for these services: Land Mobile, 30-40 days; Microwave, 75-85 days; Personal Radio (General Mobile, 40-50 days; Amateur, 35-45 days); Aviation and Marine (Aircraft and Ship, 30-40 days; Coast, 35-45 days; Ground, 55-65 days); Restricted Permits, 45-55 days.

Accomplishment: The Authorization of Service program was successful in reducing most speeds of service below FY 1985 objectives. It is necessary to maintain speeds of service at these low levels to allow for complications which might be encountered during further automation of the licensing process. This was accomplished through additional temporary staff allocations.

Service	FY 1985 Average	Service	FY 1985 Average
Land Mobile	22 days	Ship	23 days
Microwave	48 days	Coast	17 days
General Mobile	15 days	Ground	49 days
Amateur	17 days	Restricted Permits	22 days
Aircraft	16 days		

Objective: Continue developing new automated procedures for the Private Operational-Fixed Microwave Radio Service.

Accomplishment: The program continued to develop new automated procedures for the Private Operational-Fixed Microwave Radio Service by focusing on forms development and revision. A new application form was developed which reduced the number of data elements by 25%. This reflects the program's efforts to eliminate the collection of unnecessary data elements and reduce information requirements on the public. This reduction of data coupled with more simplified instructions facilitated the improvement of the microwave licensing process. Another form was eliminated saving both the cost of the form and the cost of processing the form by the examining staff. An internal form was developed to expedite the return of defective applications. In addition, the use of microcomputer-generated forms eliminated two to three days of delay previously encountered in the preparation and typing of letters. These innovations have helped the small microwave processing staff keep pace with ever-increasing and more complex microwave receipts.

Objective: Continue the phased implementation of the Automated Land Mobile Application Processing System (ALMAPS) to increase efficiency in license application processing.

Accomplishment: The phased implementation of the Automated Land Mobile Application Processing System (ALMAPS) continued on schedule. ALMAPS is the program's long-term plan to automate the processing of land mobile applications which will improve productivity and expedite service to the public. Major steps were taken in FY 1985 toward realizing this goal. These steps included the installation of new operating system software on the Gettysburg minicomputer, institution of computer generated 800 MHz licenses, restructure of the Cross Bureau Frequency System (XFS) data base, analysis of hardware requirements, development and subsequent testing of front-end keying software utilizing 15 data transcribers, establishment of a test data base file used to train employees on the query and license granting capabilities, and the establishment of the Canadian Coordination of Service (COSER) data base file.

Objective: Respond to Congressional and public inquiries in a timely fashion.

Accomplishment: During FY 1985, 454 Congressional inquiries were received concerning the status of applications and other licensing issues. Each Congressional was answered within one day of receipt. In addition, 74,391 telephone and over 103,500 written public inquiries were received. Telephone inquiries were answered within 24 hours. Responses to routine written inquiries averaged three work days and responses to complex written inquiries averaged six work days. The number of inquiries decreased by almost 13% from FY 1984. This can be directly attributed to the exceptional licensing speeds of service attained.

Other Accomplishments

1. Over 1,000 applications were processed in the 800 MHz Specialized Mobile Radio (SMR) lottery proceedings. Expedited processing procedures enabled the program to complete action on all applications ahead of schedule. The acquisition of microcomputers enabled the processing staff to automate the analysis of the lottery results and ensure maximum "packing" of grants to increase the number of competing SMR's in markets. The computers resulted in a savings for the Commission equivalent to one staff year. Without the computers, the program would not have had the engineering resources available to optimally implement the lottery results. This process generated more new licensees than private organizations and manufacturers had estimated were possible.

2. Further, immediate improvements in the effectiveness of application processing were achieved by utilizing personal computers. Software installed on the system was used for a multiplicity of engineering functions, including resolution of mutually exclusive applications, interference analysis, mathematical modeling, program development, and plotting and graphing of geographic data.

3. Public use of direct access to the Commission's private radio license data increased substantially during FY 1985. The steady expansion in the number of terminal accessions indicated growing public awareness, acceptance and reliance upon this process. This access capability has reduced the need for Commission personnel to research license data for the public.

4. The research and removal of duplicate call sign records from the Ship Master File was completed in preparation for the redesign of the Marine (Ship) Licensing System. This project was concluded nearly three months ahead of the planned date. In addition, a project was implemented to remove obsolete records from the Ship Master File. An 18% reduction in the size of the Ship

PRIVATE RADIO

Master File is envisioned upon completion of this project which will decrease the amount of time required to process applications for U.S. Coast Guard documented vessels.

FY 1986 Objectives

1. Process applications within the following time periods:

Radio Service	Speed of Service
Land Mobile	25-35 days
Microwave	60-70 days
General Mobile	25-35 days
Amateur	30-40 days
Aircraft	20-30 days
Ship	25-35 days
Coast	25-35 days
Ground	50-60 days
Restricted Permits	25-35 days

2. Continue the phased implementation of the Automated Land Mobile Application Processing System (ALMAPS) to increase efficiency in license application processing.

3. Continue developing automated procedures for the Marine Radio Services.

4. Respond promptly to Congressional and public inquiries.

FY 1987 Objectives

1. Process applications within the following time periods:

Radio Service	Speed of Service
Land Mobile	30-40 days
Microwave	75-85 days
General Mobile	30-40 days
Amateur	40-50 days
Aircraft	30-40 days
Ship	30-40 days
Coast	35-45 days
Ground	55-65 days
Restricted Permits	30-40 days

2. Improve automated systems to increase efficiency in license application processing.

3. Support technological improvements in telecommunications through licensing activities.

4. Respond promptly to Congressional and public inquiries.

Justification

Additional funding of $63,000 is requested to support the Automated Land Mobile Application Processing System (ALMAPS). These funds will be used to purchase terminals, printers and computer work stations. The computer terminals will be used by the application examiners for on-line processing of land mobile applications. These terminals are considered mandatory to achieve examiner productivity and speed-of-service objectives.

It is essential that terminal printers be available to the examiners to make hard-copy documents from the Master Frequency File and other data bases. The implementation of ALMAPS will result in the removal of all land mobile paper files from the licensing program. These files are now used extensively in the processing of land mobile applications. After implementation, the only existing records will be on data bases resident on the Honeywell in Washington. Thousands of license documents are currently referenced each week in Gettysburg. The only means of providing a comparable document will be through the use of the requested printers.

The computer work stations are requested for both new and existing terminals. Adequate work stations are essential when the Automated Land Mobile Processing System (ALMAPS) is implemented due to the constant use of terminals and the requirement for sufficient work space to process applications. This request assures maximum productivity and completes the last phase of our effort to automate our licensing facility in Gettysburg, PA.

An increase of $6,000 is also requested for the licensing program in Gettysburg, PA to acquire an additional personal computer to perform complex engineering analyses. The current personal computers handle all engineering analyses and are operating at full capacity, both in terms of time and size of routines. The value of using personal computers was demonstrated in a recent engineering analysis for a land mobile 800 MHz lottery. Utilizing a personal computer, this task was completed in only two weeks, including programming and execution. The same task, if accomplished manually, would have required an estimated 2,000 hours of engineering time (approximately $40,000). Since additional lotteries are expected for both land mobile and microwave spectrum, this investment will enhance current staff productivity and minimize any need for additional staff.

PRIVATE RADIO

Workload Statistics By Service	Pending Beginning of FY	Receipts	Total Workload	Disposals	Pending End of FY
AVIATION					
Aircraft					
FY 1985 Act.	220	37,740	37,960	37,550	410
FY 1986 Est.	410	38,000	38,410	35,190	3,220
FY 1987 Est.	3,220	39,000	42,220	35,190	7,030
Ground					
FY 1985 Act.	470	5,630	6,100	5,640	460
FY 1986 Est.	460	4,900	5,360	4,600	760
FY 1987 Est.	760	5,000	5,760	4,600	1,160
MARINE					
Ship					
FY 1985 Act.	1,060	132,560	133,620	133,040	580
FY 1986 Est.	580	127,000	127,580	122,010	5,570
FY 1987 Est.	5,570	129,000	134,570	122,010	12,560
Coast					
FY 1985 Act.	110	4,220	4,330	4,270	60
FY 1986 Est.	60	4,000	4,060	3,760	300
FY 1987 Est.	300	4,000	4,300	3,760	540
LAND MOBILE					
Public Safety					
FY 1985 Act.	2,600	50,600	53,200	50,750	2,450
FY 1986 Est.	2,450	52,500	54,950	50,400	4,550
FY 1987 Est.	4,550	55,000	59,550	50,820	8,730
Land Transportation					
FY 1985 Act.	420	11,820	12,240	11,540	700
FY 1986 Est.	700	11,500	12,200	10,910	1,290
FY 1987 Est.	1,290	11,600	12,890	10,570	2,320
Business					
FY 1985 Act.	7,980	148,990	156,970	149,060	7,910
FY 1986 Est.	7,910	160,000	167,910	157,080	10,830
FY 1987 Est.	10,830	163,000	173,830	157,080	16,750

PRIVATE RADIO

Workload Statistics By Service	Pending Beginning of FY	Receipts	Total Workload	Disposals	Pending End of FY
Industrial					
FY 1985 Act.	3,180	57,780	60,960	56,710	4,250
FY 1986 Est.	4,250	60,000	64,250	57,510	6,740
FY 1987 Est.	6,740	60,000	66,740	57,200	9,540
470-512 MHz					
FY 1985 Act.	690	6,820	7,510	7,080	430
FY 1986 Est.	430	7,500	7,930	7,020	910
FY 1987 Est.	910	8,000	8,910	7,340	1,570
800 MHz					
FY 1985 Act.	7,930	80,300	88,230	79,210	9,020
FY 1986 Est.	9,020	85,000	94,020	84,100	9,920
FY 1987 Est.	9,920	90,000	99,920	85,030	14,890
MICROWAVE					
FY 1985 Act.	4,250	11,660	15,910	11,630	4,280
FY 1986 Est.	4,280	10,900	15,180	10,710	4,470
FY 1987 Est.	4,470	12,000	16,470	10,500	5,970
GENERAL MOBILE					
FY 1985 Act.	200	7,870	8,070	7,850	220
FY 1986 Est.	220	7,900	8,120	6,710	1,410
FY 1987 Est.	1,410	8,150	9,560	6,710	2,850
AMATEUR					
FY 1985 Act.	910	119,590	120,500	115,020	5,480
FY 1986 Est.	5,480	125,000	130,480	115,830	14,650
FY 1987 Est.	14,650	133,000	147,650	121,100	26,550
RESTRICTED PERMITS					
FY 1985 Act.	1,970	191,640	193,610	191,860	1,750
FY 1986 Est.	1,750	130,000	131,750	122,270	9,480
FY 1987 Est.	9,480	100,000	109,480	96,530	12,950

PRIVATE RADIO

3. SPECIAL SERVICES

The Special Services program develops and implements Commission policy for the aviation, marine and personal radio services through rulemaking, rule waiver, enforcement, liaison with industry and users, and other regulatory processes, including participation in international negotiations. Licensees use radio to protect the safety of life and property at sea and in the air, to communicate with privately-owned stations for personal and business activities, to provide emergency communications when normal communications are disrupted, and to advance the state of the radio art through experimentation.

Personnel By Program:	1985 Act.		1986 Est.		1987 Est.		Change	
	Pos.	WY	Pos.	WY	Pos.	WY	Pos.	WY
Special Services...........	25	27	25	25	25	24	--	-1

Personnel By Service:	1985 Act.		1986 Est.		1987 Est.		Change	
	Pos.	WY	Pos.	WY	Pos.	WY	Pos.	WY
Aviation....................	5	5	5	5	5	5	--	--
Marine......................	13	15	13	13	13	13	--	--
Personal Radio.............	7	7	7	7	7	6	--	-1
Total..................	25	27	25	25	25	24	--	-1

1985 Objectives/Accomplishments

Objective: Review special services radio rules under the Commission's Master Regulatory Review Plan to determine which can be modified or eliminated in order to reduce the regulatory burden on the public.

Accomplishment: The Special Services program completed its responsibilities under the Commission's three year Master Regulatory Review Plan by concluding the review of all 928 aviation, marine, and personal radio rules. During the course of this review, 69% of the special services rules were modified, simplified, or eliminated. During FY 1985, the Commission adopted 21 items with regulatory review emphasis prepared by the Special Services Program which eliminated 50 rules, simplified 125 rules and revised 70 rules. While the formal Master Regulatory Review Plan was completed this year, the program will continue to systematically review its rules in order to further reduce the regulatory burden on the public.

Objective: Study the feasibility of consolidating Parts 81 and 83 of the Commission's rules.

Accomplishment: The staff completed its study on the feasibility of consolidating Parts 81 and 83 of the Commission's rules. A Notice of Proposed Rulemaking (PR Docket 85-145), adopted by the Commission on May 9, 1985, proposed to reorganize, revise and consolidate Parts 81 and 83 into a new Part 80. The new Part 80 would reduce the size of the maritime radio service rules by 40%, eliminate 2,880 burden hours of record keeping requirements for the public and improve the organization and clarity of the rules.

PRIVATE RADIO

Objective: Take further action in the rulemaking proceeding proposing to eliminate the issuance of some Restricted Radiotelephone Operator Permits (RPs).

Accomplishment: The Commission adopted a Report and Order (PR Docket 84-760) on January 23, 1985 which amended Parts 81, 83 and 87 of the rules. This eliminated the issuance of Restricted Permits except in circumstances where it is required by statute or treaty. This action will relieve the public of thousands of burden hours annually in applying for the permit and save the Commission significant resources expended on issuing the permits.

Objective: Represent the interests of the Private Radio Activity and the public in international radio matters by participating in the International Maritime Organization 29th Session of the Subcommittee on Radio Communications and prepare for the 1987 Mobile World Administrative Radio Conference.

Accomplishment: The staff participated in the 29th Session of the Subcommittee on Radio Communications by preparing input for U.S. proposals, analyzing foreign proposals and chairing the Ad Hoc Operational Group. This Session approved performance standards for ship earth station terminals for submission to the Maritime Safety Committee, performance standards for VHF and MF radio installations for shipboard use and criteria for defining the Future Global Maritime Distress and Safety System (FGMDSS). In preparation for the 1987 Mobile World Administrative Radio Conference (WARC) the staff initiated the FCC Advisory Committee for the 1987 Mobile WARC which meets to develop private sector proposals. In addition, the staff worked with the Interagency Radio Advisory Committee to develop U.S. proposals for the ITU Administrative Council preparations regarding 1987 Mobile WARC.

The staff also participated in a London meeting of the International Maritime Organization's (IMO) Drafting Group on Operational Procedures which addressed 1987 Mobile World Administrative Radio Conference (WARC) matters, mainly as they pertain to the Future Global Maritime Distress and Safety System (FGMDSS). The Drafting Group prepared two documents: a proposed text of the International Telecommunications Union (ITU) Radio Regulations for consideration by IMO countries and a document providing guidance to the ITU concerning the implementation of the FGMDSS in the 1987 Mobile WARC. These two documents will facilitate the introduction of the FGMDSS by fostering ITU Radio Regulations which reflect and protect the new distress and safety system.

Objective: As part of a planned nationwide program of enforcement, initiate appropriate sanction proceedings, act upon referred applications and monitor the monetary forfeiture program.

Accomplishment: Appropriate sanctions were initiated in 179 cases. Of these, revocation proceedings were initiated in 64 cases and Notices of Apparent Liability to Monetary Forfeiture were issued in 115 cases. Two hundred and thirty-one applications were reviewed to determine whether they should be designated for hearing. The staff continued to monitor the monetary forfeiture program by meeting with personnel from the Field Operations Activity to revise and update policy statements that delegate forfeiture authority.

PRIVATE RADIO

Other Accomplishments

1. The Commission adopted a Notice of Proposed Rulemaking in PR Docket 85-22 proposing to amend Part 97 to provide rules for frequency coordination of amateur radio repeaters in major metropolitan areas. The proposed rules will encourage private sector frequency coordination and minimize Commission intervention in the coordination process as well as the resolution of interference disputes among amateur radio repeaters.

2. The Commission adopted a Report and Order in PR Docket 83-431 which amended Parts 81, 83 and 87 providing for the optional implementation of digital selective calling (DSC). This allowed the U.S. maritime community time to plan for, build equipment and use DSC before its final implementation in the next decade. Digital selective calling provides a standard method for establishing radio contact in the marine environment. This enhances the safety of life and property at sea, promotes a more efficient use of radio spectrum and improves high seas communications when needed for national security and emergency preparedness.

3. The Commission adopted two Report and Orders in PR Docket 84-960 which amended Part 97 implementing the allocation of additional frequencies to the Amateur Radio Service made in the Final Acts of 1979 World Administrative Radio Conference. The First Report and Order allocated 10.100 - 10.150 MHz and 24.890 - 24.990 MHz for the Amateur Radio Service, the Radio Amateur Civil Emergency Service (RACES) and the Amateur Satellite Service. The Second Report and Order added amateur radio operations in the 902 - 928 MHz frequency band on a secondary, non-interference basis for use by all amateur operators above the Novice class.

4. A report was prepared on the progress of the all-volunteer examination program in the Amateur Radio Service which was established in 1983. The report analyzed how well the program was meeting its objectives. The report noted an annual savings to the Commission of $13,000 in clerical costs, $3,550 in examination preparation and printing costs and six workyears in the Field Operations Activity. In addition to these savings, the examination quality had improved as well as access to the examinations. The examinations were given more frequently, in more locations, at more preferable times, and were able to better accommodate the special needs of handicapped individuals.

FY 1986 Objectives

1. Initiate rulemakings to allow the introduction of new technologies, new services or operational options in the Special Radio Services.

2. Review special services radio rules to determine which can be modified or eliminated in order to reduce the regulatory burden on the public.

PRIVATE RADIO

3. Represent and advance the public's international radio communications interests by chairing the Technical and Operational Working Groups in the International Maritime Organization 30th and 31st Session of the Subcommittee on Radio Communications and by developing proposals for the International Civil Aviation Organization.

4. Prepare U.S. positions and lead delegations in preparatory meetings for the 1987 Mobile World Administrative Radio Conference.

5. Prepare legislative proposals and initiate rulemakings to ensure the implementation of international treaties, particularly concerning the Safety of Life at Sea (SOLAS) Convention and the development of the Future Global Maritime Distress and Safety System (FGMDSS).

FY 1987 Objectives

1. Initiate rulemakings to allow the introduction of new technologies, new services or operational options in the Special Radio Services.

2. Review special services radio rules to determine which can be modified or eliminated in order to reduce the regulatory burden on the public.

3. Represent and advance the public's international radio communications interests by chairing the Technical and Operational Working Groups in the International Maritime Organization and by developing proposals for the International Civil Aviation Organization.

4. Prepare U.S. positions and lead delegations in the 1987 Mobile World Administrative Radio Conference.

5. Prepare legislative proposals and initiate rulemakings to ensure the implementation of international treaties, particularly concerning the Safety of Life at Sea (SOLAS) Convention and the development of the Future Global Maritime Distress and Safety System (FGMDSS).

V. FIELD OPERATIONS

The Field Operations Activity promotes effective, efficient, legal use of the radio spectrum throughout the United States and Puerto Rico. Employees interface locally with the public to provide information to spectrum users concerning Commission rules, regulations and communications law, and to resolve radio interference and other technical problems relating to propagation, spurious emissions, etc. Operating from thirty-six offices, the employees also provide feedback to the Commission from the grass roots on technical matters or regulatory impact of various rules and regulations. Additionally, the Activity's employees perform off-the-air technical measurements, regulate antenna structure lighting and marking to promote aviation safety, and license commercial radio operators and repairmen. The Activity provides the Commission's general field service role.

Financial Requirements:	1985 Act.	1986 Est.	1987 Est.	Change
Personnel Compensation........	$12,871	$12,390	$12,483	$ +93
Personnel Benefits............	1,746	1,722	1,809	+87
Benefits for Former Personnel.	18	23	23	--
Other Obligations.............	5,488	6,099	5,912	-187
Total....................	$20,123	$20,234	$20,227	$ -7

Personnel by Program:	1985 Act.		1986 Est.		1987 Est.		Change	
	Pos.	WY	Pos.	WY	Pos.	WY	Pos.	WY
Monitoring....................	126	134	126	128	133	133	+7	+5
Inspections/Investigations...	115	126	115	117	117	117	+2	--
Public Service..............	115	126	114	117	115	116	+1	-1
Engineering.................	46	54	46	47	46	46	--	-1
Total..................	402	440	401	409	411	412	+10	+3

Personnel by Organization:	1985 Act.		1986 Est.		1987 Est.		Change	
	Pos.	WY	Pos.	WY	Pos.	WY	Pos.	WY
Field Operations Bureau......	395	433	395	403	405	406	+10	+3
Information Management......	6	6	6	6	6	6	--	--
Dockets.....................	1	1	--	--	--	--	--	--
Total..................	402	440	401	409	411	412	+10	+3

Activity Objectives

1. To assist communications users in all parts of the country in maximizing benefits from their licenses and equipment by providing information to the public concerning Commission rules and programs, by resolving communications interference problems, and by providing feedback to the Commission concerning communications problems and questions from individual licensees or groups.

FIELD OPERATIONS

2. To assure safety of life and property and to resolve or prevent communication user problems by performing on-the-air technical measurements and inspections.

3. To promote aviation safety by regulating radio antenna structure marking and lighting.

4. To strengthen international relationships involving communications, particularly with respect to solving interference problems with our closest neighbors, Canada, Mexico and the Dominican Republic by participating in preparing and defending U.S. positions in international negotiations and/or conferences.

5. To fulfill obligations mandated by the Radio Broadcasting to Cuba Act including establishing and maintaining a data base on Cuban broadcast stations; providing information from the data base to the Commission and the public; and verifying levels of interference to U.S. broadcast stations from Cuban stations.

1. MONITORING

The Monitoring Program is the center of in-the-field efforts to assure usable and useful spectrum to licensees and support for on-scene Inspections/Investigations operations. Occupancy monitoring gathers information for the Commission's use in frequency allocation, while technical monitoring provides information on active or potential problems in radio use and initiates corrective actions. The long range direction-finding network aids the Coast Guard, the Federal Aviation Administration, and other search and rescue agencies in locating ships, aircraft, or individuals lost or in distress as well as other enforcement operations. It is essential to all high frequency work including international planning.

Program Personnel:	1985 Act.		1986 Est.		1987 Est.		Change	
	Pos.	WY	Pos.	WY	Pos.	WY	Pos.	WY
Monitoring..........	126	134	126	128	133	133	+7	+5

FY 1985 Objectives/Accomplishments

Objective: Maintain our capability to assure the usefulness of radio in preserving the safety of life. Promote international communications. Further serve the public by responding to requests for elimination of interference.

Accomplishment: The fixed monitoring network was maintained in continuous operation. Ninety-two percent of all watches were open with closures scheduled so as not to hinder operations. Operation of the remotely-controlled direction-finder at Canandaigua, New York, was begun and refined. The network responded to 1700 requests for assistance in safety services and 2100 in non-safety services.

FIELD OPERATIONS

Continued an increased level of effort to reduce life threatening problems on the marine channels in the Gulf of Mexico. Further, identified and addressed marine communications problems in other selected localities.

The network gathered and analyzed data to provide a profile of interference to shortwave broadcasting. It also participated in an International Telecommunication Union sponsored program to identify intruders into the HF aeronautical and marine bands.

Objective: Assist in creating a competitive marketplace for the development of telecommunications by elimination of unnecessary regulations and policy and application of necessary controls through provision of information to other entities for use in policy and rulemaking decisions including observation of developing technologies.
Accomplishment: Development of a more comprehensive plan for monitoring the state of the satellite radio service was begun. A quarterly transponder loading report was compiled and published.

A project to determine spectrum occupancy levels on 800 MHz was initiated. A total of 3,100 signals were sampled.

Objective: Provide service to the public in the most expeditious manner possible by developing new and improving existing forms of off-air response, and developing alternatives to on-scene response.
Accomplishment: The remotely-controlled monitoring package was extensively tested and proved to be effective. No additional units are being produced due to lack of funds to purchase necessary supplies and parts, but the prototype units are being used.

Other Accomplishments

1. Assisted the U.S. Coast Guard in their smuggling interdiction activities by providing 2200 long range fixes.

2. Maintained the data base for the inventory of Cuban broadcast stations to gauge changes in response to Radio Marti.

3. Developed computer software to assist network operations.

FY 1986 Objectives

1. Maintain a capability which will assure the usefulness of radio in preserving the safety of life (including supporting international treaties) by a) locating the source of distress transmissions when a disaster occurs and b) clearing safety frequencies of signals which would interfere with reception of distress transmissions. Specifically, response will be made to all requests from the U.S. Air Force to locate Emergency Locator Transmitters whether accidentally triggered or actual disasters; to all requests from the Coast Guard for direction-finding fixes on vessels in distress and for assistance in eliminating interference on marine channel

FIELD OPERATIONS

16; participate in the Interagency Search and Rescue Committee to find methods of improving communications capability to respond to emergencies; respond to all requests for assistance from police and fire departments and ambulance services; provide long range direction-finding assistance to the Coast Guard and Customs in their smuggling interdiction activities; and devise methods of attacking and resolving widespread problems in marine communications at major ports.

2. Collect, analyze impact, and provide information to other entities on the state of the spectrum, including new technologies (such as direct broadcast satellite, cordless telephones, cellular radio, digital transmission, etc.), for use in policy and rulemaking decisions, thus assisting in creating a competitive marketplace for the development of telecommunications by eliminating unnecessary regulations and application of necessary controls. Specifically, develop studies in problem areas to assess alternative solutions; examine spectrum occupancy in selected areas; examine satellite transponder loading; perform spectrum occupancy monitoring on 800 MHz in major metropolitan areas; continue to monitor the state of the marine service in all major ports and propose solutions, and maintain the data base on Cuban broadcast stations, under the Radio Broadcasting to Cuba Act (Radio Marti).

3. Enhance field efficiency by expanding the use of remotely controlled monitoring and direction-finding equipment in areas remote from field facilities when an extended presence is necessary to assess or resolve serious problems and by maintaining our current mobile signal analysis capability to supplement enforcement where fixed signal analysis and on-scene actions are less efficient.

4. Relocate the Sabana Seca Monitoring Station and take steps to upgrade the direction-finding system in Puerto Rico.

FY 1987 Objectives

1. Assure the usefulness of radio in preserving safety of life. This objective has two aspects: locating the source of distress transmissions when a disaster occurs and clearing safety frequencies of signals which would interfere with reception of distress transmissions.

2. Collect, analyze, and provide information to other entities on the state of the spectrum, including new technologies, for use in policy and rulemaking decisions.

3. Enhance field efficiency and effectiveness and improve the level of responsiveness to those needing our assistance.

4. Maintain national defense and emergency preparedness capability.

FIELD OPERATIONS

FY 1937 Justification

Seven positions are requested to keep the monitoring network completely operational. Without the positions, over 700 watches will be covered through use of overtime or untrained personnel. Another 350 watches (approximately) will not be covered due to unavailability of employees to work overtime. This means the network would be operating one station short in many instances, and more than one station short in some instances. That would seriously degrade the capability to respond to requests for assistance in search and rescue, or other life threatening situations. The capability is also necessary to provide emergency preparedness support, and to be operational at all times to provide fixes required to support international programs in the HF broadcast, marine, and aviation services. Additionally, the Commission staff must be available to provide assistance to the U.S. Coast Guard, U.S. Customs Service, and other agencies requesting location of specific transmitters.

2. INSPECTIONS/INVESTIGATIONS

The Inspections/Investigations Program, one of the most visible points of contact between the Commission and radio spectrum users, helps users to improve use of the spectrum. The program resolves harmful interference from licensed and unauthorized users and polices the marketing and use of illegal radio equipment. Action may be taken in any radio service because of: 1) complaints from users, 2) requests from other Commission activities, 3) requests from government agencies, or 4) Commission monitoring.

Program Personnel:	1985 Act.		1986 Est.		1987 Est.		Change	
	Pos.	WY	Pos.	WY	Pos.	WY	Pos.	WY
Inspections/ Investigations........	115	126	115	117	117	117	+2	--

FY 1985 Objectives/Accomplishments

Objective: Maintain our capability to assure the usefulness of radio in preserving the safety of life. Promote international communications.

Accomplishment: Field staff inspected 1800 ships for compliance with safety related provisions of law and treaty, responded to requests to locate 54 Emergency Locator Transmitters (ELT) or Emergency Position Indicator Radio Beacons (EPIRB), and in 1,400 instances responded to interference problems in safety services.

Continued to chair the False Alarm Working Group of the Interagency Committee on Search and Rescue (ICSAR). This Committee is pursuing ways to reduce the accidental triggering rate of ELT's and make the system more effective.

FIELD OPERATIONS

Objective: Assist in creating a competitive marketplace for the development of telecommunications by elimination of unnecessary regulations and policy and application of necessary controls through provision of information to other entities for use in policy and rulemaking decisions including observation of developing technologies.

Accomplishment: Field staff inspected 300 broadcast stations and 300 cable television systems. Random inspections were made on vessels equipped under Title III, Part III of the Communications Act to determine whether extension of the certification period has adversely affected the quality of the service. The data from these inspections was analyzed and the results reported to the appropriate service bureaus.

Objective: Protect the communications marketplace, assure the vital interests of the American public in international trade in communications equipment, and provide service to the public by investigating those who unlawfully use, market, or import radio frequency devices which cause interference or who obtain an advantage in the marketplace through their violations.

Accomplishment: An Agreement was reached with the U.S. Customs Service and the experimental program to insure that imported electronic devices meet radiation requirements was put into operation. A retailer who offered for sale 2,700 pieces of equipment manufactured in the Far East which were not authorized for importation into this country was prosecuted. Sampling of retail outlets was carried out to determine the level of compliance with marketing regulations. Four hundred investigations of marketing regulations were performed.

Objective: Provide service to the public in the most expeditious manner possible by developing new and improving existing forms of on-scene response, and developing alternatives to on-scene response.

Accomplishment: The Fixed Automatic Direction-Finder was extensively field tested as an alternative to on-scene action in January. The prototypes continue to be used and tested to determine whether they are helpful, effective, and more efficient than current response mechanisms.

Other Accomplishments

1. Performed inspections of a sample of 60 broadcast stations to determine whether the Emergency Broadcast System is operating as it was designed. 82% of the stations were operational in accordance with established parameters. 18% had serious equipment problems which would prevent immediate operation.

2. Responded to 3,000 requests for assistance in non-safety services.

FY 1986 Objectives

1. Assure the usefulness of radio in preserving the safety of life and in promoting international communications by a) locating the source of distress transmissions when a disaster occurs and b) clearing safety frequencies of signals which would interfere with reception of distress transmissions. Specifically, we will inspect all ships which are required by statute and

treaty to have radio installations; respond to all requests from the U.S. Air Force to locate ELT's whether accidentally triggered or actual disasters; respond to all requests from the Coast Guard for assistance in eliminating interference on marine channel 16 and the bridge-to-bridge channels; participate in the Interagency Search and Rescue Committee to find methods of improving communications capability to respond to emergencies; respond to all requests for assistance from police, fire departments and ambulance services; inspect broadcast stations equipped for participation in the Emergency Broadcast System to ensure its effectiveness; and devise methods of attacking and resolving widespread problems in marine communications at major ports.

2. Collect, analyze, and provide information to other entities on the state of the spectrum, including the impact of new technologies, for use in their policy and rulemaking decisions thus assisting in creating a competitive marketplace for the development of telecommunications by eliminating unnecessary regulations and application of necessary controls. Specifically, the field staff will undertake sampling inspections; complete inspections of 3-1/3% of all broadcast stations; examine a sample of cable television systems for leakage; examine problems at particular localities for reports to the Commission; and participate in verification of claims under the Radio Broadcasting to Cuba Act (Radio Marti).

3. Enhance field efficiency and effectiveness by continuing to develop a Fixed Automatic Direction-Finder (FADF) which will meet Commission operational requirements. If the design is perfected, it will be deployed in the field.

4. Investigate those who unlawfully use, market, or import radio frequency devices which cause interference or who obtain an advantage in the marketplace through their violations, thus protecting the communications marketplace and assuring the vital interests of the public in international trade in communications equipment. Specifically, field staff ensure (in conjunction with U.S. Customs), that import reporting requirements (FCC Form 740) are complied with; sample sales for the marketing of undesirable equipment; investigate offenders; and purchase samples of the equipment as evidence, taking enforcement action, when necessary.

FY 1987 Objectives

1. Assure the usefulness of radio in preserving safety of life. This objective has two aspects: locating the source of distress transmissions when a disaster occurs and clearing safety frequencies of signals which would interfere with reception of distress transmissions.

2. Collect, analyze, and provide to other entities information on the state of the spectrum, including new technologies, for use in their policy and rulemaking decisions.

FIELD OPERATIONS

3. Enhance field efficiency and effectiveness and improve the level of responsiveness to those needing our assistance.

4. Investigate those who use, market, or import radio frequency devices which cause interference or who obtain an advantage in the marketplace through their violations. This is in support of the equipment authorization program.

FY 1987 Justification

The two positions requested will allow the program to maintain its support to other Commission programs. These positions will allow completion of the last 25% of the broadcast inspection sample, 75 inspections, and the last 33% of the cable television inspection sample, 100 inspections. They will also allow 50 investigations to be conducted at the request of other Bureaus and 100 investigations of violations of the marketing regulations. The additional resources are necessary to meet minimal objectives in this program. An additional $266,000 will enable us to replace obsolete equipment and allow us to resolve interference and other problems experienced by the public in a more effective, efficient manner. Lack of sufficient state-of-the-art equipment has impaired our ability to adequately respond to problems in the nation's communications network.

$70,000 is requested for additional travel funding to allow the field staff to conduct on-site investigations of some of the more severe technical problems. For several years efforts have been concentrated within 150 miles of our field offices in order for the program to operate within its travel allowances. Staff now urgently need to begin to resolve problems in more distant areas.

$280,000 is requested to provide dot matrix printers, additional terminals, and memory upgrade for the 37 microcomputers purchased in FY 1985 to provide automation and a data network for the Commission's field offices. With these additions, full effectiveness will be realized, as the offices will be able to utilize the computers for several functions simultaneously. At present if a computer is being used for the word processing function, no data searches, data transmission, data manipulation, or other function can be conducted until use of the word processing function is complete. The computers are capable of performing all the above functions simultaneously, but sufficient peripheral equipment is needed. This will complete the field ADP network as originally planned.

3. PUBLIC SERVICE

This Program provides public interaction with trained FCC contact personnel at the local level in a non-enforcement context. FCC information is disseminated, interference complaints are resolved, radio operator examinations are conducted, commercial radio operator licenses are issued, and specifications for antenna tower painting and lighting are prescribed.

FIELD OPERATIONS

Personnel by Program	1985 Act. Pos.	1985 Act. WY	1986 Est. Pos.	1986 Est. WY	1987 Est. Pos.	1987 Est. WY	Change Pos.	Change WY
Public Service.........	115	126	114	117	115	116	+1	-1

FY 1985 Objectives/Accomplishments

Objective: To assist the public, licensees, representatives of the telecommunications industries, and other government agencies in the resolution of communications problems by responding to complaints, providing forms, bulletins, other information materials or by referring technical inquiries to appropriate Commission offices. Field Public Service Staff will respond to at least 90% of the 405,000 inquiries and 90% of the 70,000 interference complaints expected to be received. The Public Service Staff will continue to apprise the Commission of the current and future needs of the public by gathering data to identify these needs. Specific activities will include: Active educational/informational efforts; attacking and resolving widespread problems in marine communications at major ports; and preventing and resolving interference to and from cellular radio, cordless phones, Low Power TV (LPTV), digital radio, etc.

Accomplishment: Over 100,000 mailouts of forms, bulletins and other information were provided in response to consumer/licensee requests this fiscal year. Mailouts increased approximately 30% as compared to FY 1984. Mailouts of new rule changes and policy revisions are sent to licensees to reinforce rule compliance.

Field Public Service Staff responded to 66,794 interference complaints received. (96% of the total)

Feedback on major interference problems provided the Commission with an accurate picture of the national communications environment. Such feedback included analysis of the extent of 43 MHz paging interference to television reception and recommended solutions; unique and unusual interference problems involving Part 15 devices, including; ultrasonic pest control devices, and new garage door openers that respond to military frequencies; and FM radio interference.

Field staff appeared on numerous radio and TV programs as resource specialists or panelists. The topics were varied, such as, TV Receive Only Satellite Antennas, recording television programs on video cassettes, profane language, censorship and interference. An estimated 2 million households were reached by only three of these TV appearances.

Marine education activities continue to be an on-going priority. Seminars and dissemination of news releases to marinas and yacht and boating clubs were extensive. These efforts have contributed to a noticeable decline in misuse of marine radio frequencies by recreational boaters.

FIELD OPERATIONS

Information about minority ownership of broadcast stations was provided to over 100 Hispanic communications groups. Other activities on minority ownership included workshops sponsored by local stations and the Annual Black College Broadcast Conference events.

Field participation in National Consumer Week included co-sponsored programs with state and local government agencies, publicity and awareness through media interviews and news releases, making speeches and presentations, and working at consumer exhibits and expositions. Participation in consumer events is beneficial to the Commission because it provides service to the public and helps facilitate consumer resolution of radio frequency interference problems.

Four power company seminars were completed this fiscal year. Over 400 participants attended. This included power company employees who are responsible for locating and resolving electromagnetic interference (EMI) problems. Managers who ultimately determine how much is spent on training, equipment and resources to eliminate EMI also attended. The seminars achieved the following objectives:

-Provided industry techniques for locating and resolving EMI.
-Motivated industry to consider expanding their role in developing future educational seminars.
-Allowed FCC to assume the role of facilitator versus problem-solver.

An association of satellite dish manufacturers reported approximately 500,000 satellite dishes were installed in 1984, and over one million may presently be in use. This extensive market penetration may account for the increased public inquiries to FCC regarding installation and operation of home satellite dishes. A new FCC fact sheet was released to answer public inquiries and provide information on purchase, licensing and maintenance of satellite dishes.

The Field Operations Activity continues to foster rule compliance by cooperating with and exchanging information with private industry, technical schools and associations in the production of information/education items about FCC rules and regulations for FCC licensees.

Objective: To require, in accordance with Section 303(q) of the Communications Act, the marking and lighting of all radio antenna towers which could pose a hazard to air navigation. Antenna Survey Staff will analyze the expected 35,000 data submissions. Specifically, we will:
(a) Require painting and lighting specifications for approximately 4,000 new and existing antenna towers;
(b) Enter approximately 5,000 tower records into the Antenna Survey Tower File for permanent retention; and
(c) Respond to complaints of tower light outages to ensure Part 17 compliance.

Accomplishments: Antenna Survey Staff analyzed 36,345 data submissions, including:

FIELD OPERATIONS

(a) Prescribed painting and lighting specifications for 4,341 new and existing towers;

(b) Entered 7,357 tower records into the Antenna Survey Tower File for permanent retention; and

(c) Responded to 12 complaints of tower light outages to ensure Part 17 compliance.

Antenna Survey Branch staff reduced application processing time from 15 to 25 days in FY 1984 to an average speed of service of three (3) days during FY 1985 due, in part, to improvements in processing procedures and automation.

Objective: To verify that applicants for commercial radio operator licenses possess the qualifications specified in the international Radio Regulations by administering written and telegraphy examinations. Examinations will be conducted periodically in 25 cities where field offices are located and in approximately 20 other selected cities away from field office locations. Examinations will be available by advance appointment only to an estimated 20,000 persons. (Average processing time for applications involving examinations, followed by license issuance will not exceed 45 days.)

Accomplishment: Approximately 20,600 persons were examined in 100 examination sessions in 45 cities, of which 20 sessions were in cities away from field office locations. Average processing time for applications involving examinations, followed by license issuance, was 20 days.

Objective: To issue new/renewal licenses to those applications found to be qualified. Specifically, we will:

(a) Issue approximately 10,000 new and 7,000 renewed radio operator licenses;

(b) Issue approximately 40 Provisional Radio Operator Certificates, 550 duplicate or replacement licenses, 5 new Six Months Service Endorsements, and 1,500 new Ship Radar Endorsements. (Average processing time for renewed and replacement licenses not involving examinations will not exceed 10 working days.);

(c) Issue special one-time lifetime diploma type General Radiotelephone Operator Licenses to approximately 200,000 persons holding expiring First Class, Second Class, and General Radiotelephone Operator Licenses with five year terms; and

(d) Issue approximately 4,200 new and renewal Marine Radio Operator Permits. (Processing time will not exceed 10 working days.)

Accomplishment:

(a) 9,717 new licenses and 8,249 renewed radio operator licenses were issued.

(b) 29 Provisional Radio Operator Certificates, 343 duplicate and replacement licenses, 5 new Six Months Service Endorsements, and 1,181 new Ship Radar Endorsements were issued. (Average processing time for renewed and replacement licenses not involving examinations did not exceed 10 working days.)

FIELD OPERATIONS

(c) 65,142 replacement lifetime General Radiotelephone Operator licenses were issued. This was the total number of requests received.

(d) 4,595 new and 99 renewal Marine Radio Operator Permits were issued. Processing time was less than 8 days in all categories.

Other Accomplisments

1. Field Public Service Specialists continued their contacts with local Congressional offices. The purpose of these visits is to provide information about procedures for handling Congressional inquiries regarding interference cases/problems. Over 900 visits were made in FY 1985.

2. Field staff continue to be instrumental in providing a foundation upon which state broadcast associations can participate in resolving public inquiries and complaints without FCC intervention. Six state assocations are now participating in this project.

3. Coordination with the Federal Aviation Administration, resulted in a June 1985 amendment of their Airmen's Information Manual with the following insert:

> Paragraph 159a, Caution: The Federal Communications Commission requires an aircraft station license to operate on UNICOM/MULTICOM frequencies and usage must be in accordance with Part 87 of the FCC Rules (See Section 87.29 regarding license applications). Misuse of these frequencies may result in either the imposition of fines and/or revocation/suspension of FCC aircraft station license.

This action was initiated after a common problem among pilots not having access to Part 87 of the Rules, or knowing about the requirement for any FCC license to operate their radio equipment was perceived.

FY 1986 Objectives

1. Assist the public, licensees, representatives of the telecommunications industries, and other government agencies in the resolution of communications problems by responding to complaints, in providing forms, bulletins, and educational/information materials, or by referring technical inquiries to appropriate Commission offices. Field public service staff will: (1) respond to at least 90% of all inquiries and (2) 90% of the 65,000 interference complaints expected to be received. Specifically, we will continue to devise methods for identifying and resolving widespread problems in all major radio services. We will also continue to respond to community requests for information regarding RF radiation hazards.

2. Prescribe, in accordance with Section 303(q) of the Communications Act, the marking and lighting of all radio antenna towers which could pose a hazard to air navigation. Antenna Survey Staff will analyze the expected 35,000 data submissions. (Average processing time for applications will not exceed 10 working days.) Specifically, we will:

FIELD OPERATIONS

(a) Prescribe painting and lighting specifications for approximately 4,000 new and existing antenna towers;

(b) Enter approximately 5,000 tower records into the Antenna Survey Tower File for permanent retention; and

(c) Respond to complaints of tower light outages to ensure Part 17 compliance.

3. Verify that applicants for commercial radio operator licenses possess the qualifications specified in the international Radio Regulations by administering written and telegraphy examinations. Examinations will be conducted periodically by appointment only in cities where field offices are located. It is anticipated that approximately 19,000 persons will be examined with approximately 50% or 9,500 persons issued new radio operator licenses.

4. Issue new/renewal licenses to those applicants found to be qualified. Specifically, we will:

(a) issue approximately 9,500 new and 8,500 renewed radio operator licenses;

(b) issue approximately 30 Provisional Radio Operator Certificates, 350 duplicate and replacement licenses, 5 new Six Months Service Endorsements, 1,100 new Ship Radar Endorsements, and 50 new and 1200 renewal Telegraph Licenses. Average processing time for renewed and replacement licenses not involving examinations will not exceed 10 working days;

(c) conclude (during the first quarter) issuance of special one-time lifetime diploma type General Radiotelephone Operator Licenses to replace those for five-year terms.

FY 1987 Objectives

The primary objectives of the Public Service Program are (1) to make every reasonable effort to inform, educate, and respond to the public's and the FCC licensee's telecommunications concerns, (2) to continue to apprise the Commission of the public's current and future communications, (3) to require the marking and lighting of radio towers, when necessary, and conduct commercial radio operators exams and licensing. The purpose of these objectives is to encourage FCC licensees to uniformly comply with FCC regulations.

We will accomplish this by:

-Responding to 90% of the expected 405,000 inquiries, and 90% of the expected 65,000 complaints that will be received;
-Developing and implementing a planned information system, which includes development of public information documents;
-Developing and implementing action plans to address technical and non-technical problems in the various radio services;
-Developing and maintaining an aggressive working relationship with the media, user groups, and other organizations;
-Collecting, analyzing, and disseminating information for policy development and rulemaking decisions;

FIELD OPERATIONS

-Continuing educational efforts in the marine radio service which will reduce violations and assure the continued usefulness of this safety radio service;
-Requiring the marking and lighting of all radio antenna towers which could pose a hazard to air navigation. Antenna Survey Staff will review the expected 35,000 applications for antenna height compliance.
-Developing and implementing an action plan in coordination with FAA, to improve internal applications processing related to FAA/air hazard issues;
-Collecting and maintaining information on antenna tower locations for public dissemination;
-Using written and telegraphy examinations to verify that commercial radio operator license applicants are qualified according to International radio regulations;
-Issuing approximately 9,000 new and approximately 8,000 renewal commercial radio operator licenses to qualified individuals;
-Enforcing the commercial radio operator rules specified in the Communications Act and Commission Rules; and
-Centralizing the issuance of all Marine Radio Operator Permits from the various FCC Offices to headquarters.

FY 1987 Justification

An additional position is requested to provide adequate response to public complaints and inquiries. During FY 1985 it was necessary to reduce the number of public service specialists in the field below what is minimally needed to maintain service to the public. If responses cannot be made to at least 90% of the requests and complaints from the public, the effectiveness of the program drops below an acceptable level. Additionally, the absence of correct, pertinent information being provided radio users leads to problems in various services.

4. ENGINEERING

The Engineering program provides technical expertise and material support for the total Field Operations Activity by prioritizing, processing and coordinating the procurement of technical equipment, purchases, contractual services, vehicle leases, office furnishings and space. In very limited instances where commercial manufacture is not possible or feasible, the program's Equipment Construction and Installation Branch (ECIB) designs and manufactures required equipment. Radio receivers, antennas, and other equipment are also installed in vehicles by the ECIB. Engineering program staff also provide, when requested to do so by the State Department or when required to do so through treaties, technical guidance and measurement standards for compliance, specifications for technical equipment, monitoring installation, and direction-finding assistance to foreign governments.

FIELD OPERATIONS

Program Personnel:	1985	Act.	1986	Est.	1987	Est.	Change	
	Pos.	WY	Pos.	WY	Pos.	WY	Pos.	WY
Engineering..........	46	54	46	47	46	46	--	-1

FY 1985 Objectives/Accomplishments

Objective: Support effective field enforcement and public service programs by providing field staff with state-of-the-art equipment and engineering guidance, standards and measurement techniques, and initiate acquisition of facilities and measuring and receiving equipment, either from commercial sources or through in-house developments.

Accomplishment: (a) Construction of new monitoring facilities at the Anchorage, Livermore, and Waipahu Monitoring Stations was completed. The new facilities at Anchorage and Waipahu included colocation of local field office staff, allowing a savings in rent and operational efficiencies.

(b) Completed extensive operational testing of the Fixed Automatic Direction finder (FADF) involving multiple operating sites coordinated with mobile direction finding units.

(c) Continued long-term evaluation of the FADF at both the Atlanta and Norfolk field offices to determine if design changes are necessary prior to acceptance and full scale production.

(d) Provided new frequency standards to all thirteen staffed monitoring stations.

(e) Developed and installed an unattended automated monitoring system which provides signal level and direction-finding data.

(f) Provided equipment support for the 800 MHz Spectrum Occupancy project by modifying VHF/UHF receivers for use as an automated spectrum occupancy equipment package.

(g) Completed private line teletype (PLT) monitoring and management system which includes the automated reporting and plotting of direction-finder bearing information from all monitoring stations.

(h) Developed design changes for a commercially available duplex voice/data modem which facilitated the implementation of remote monitoring sites.

(i) Evaluated various commercially available receivers for remote monitoring applications.

(j) Completed building design specifications for construction of a new Fort Lauderdale monitoring building.

(k) Standardized the several direction finding fix (DIRFIN) programs used by the monitoring network to improve the consistency of reports submitted to the ITU.

(l) Initiated engineering project to assess methods and costs involved in hardening communications and monitoring facilities from effect of the electromagnetic pulse (EMP) generated by deterioration of thermonuclear devices.

(m) Prepared a report analyzing the feasibility of converting the PLTs circuit to a multi-use system including integration into the Bureau's office automation plan to reduce agency communication costs.

FIELD OPERATIONS

Objective: Foster improved communication services to the public by providing engineering expertise and project overview of developmental measurement programs, initiating new projects as needed to maintain parity with the technology of the communications industry.

Accomplishment: (a) Initiated and directed 21 new engineering projects directed at solving specific engineering measurement problems, studying propagation and interference phenomena and new emissions.

(b) Conducted experiments with amateur radio and military spread spectrum systems to evaluate our capability to identify and locate spread spectrum emissions.

(c) Continued to evaluate, in coordination with the Mass Media Bureau, requests from broadcast licensees to allow increases of service while still maintaining protection of the Commission's monitoring stations.

(d) Continued support of various medium and high frequency propagation studies conducted by the Office of Science and Technology.

Objective: In response to the Radio Broadcasting to Cuba Act of 1983, maintain the fixed and mobile receiving system, updating the baseline measurement system as changes occur.

Accomplishment: (a) Developed and installed a fully automated unattended, solar-powered signal level measurement and direction-finder system on Loggerhead Key.

(b) Established a remote monitoring site in Key West, Florida and evaluated two additional sites in South Florida.

(c) Analyzed the baseline measurement data for consistency and accuracy.

(d) Provided equipment and logistical support to mobile confirmation of baseline data elements.

FY 1986 Objectives

1. Support effective field enforcement and public service programs by providing field staff with state-of-the-art engineering guidance, standards and measurement techniques; and by initiating acquisition of facilities and measuring and receiving equipment, either from commercial sources or through in-house developments.

2. Foster improved communications services to the public by providing engineering expertise and project overview of developmental measurement programs, initiating new projects as needed to maintain parity with the technology of the communications industry.

3. In response to the Radio Broadcasting to Cuba Act of 1983, maintain the fixed and mobile receiving systems, updating the baseline measurement system as changes occur.

FIELD OPERATIONS

FY 1987 Objectives

1. Support effective field enforcement and public service programs by providing field staff with state-of-the-art engineering guidance, standards and measurement techniques; and by initiating acquisition of facilities and measuring and receiving equipment, either from commercial sources or through in-house developments.

2. Foster improved communications services to the public by providing engineering expertise and project overview of developmental measurement programs, initiating new projects as needed to maintain parity with the technology of the communications industry.

3. In response to the Radio Broadcasting to Cuba Act of 1983, maintain the fixed and mobile receiving systems, updating the baseline measurement system as changes occur.

FIELD OPERATIONS OFFICES
REGIONAL OFFICES

Atlanta, Georgia
Boston, Massachusetts
Chicago, Illinois
Kansas City, Missouri
San Francisco, California
Seattle, Washington

FIELD OFFICES

Allegan, Michigan 49010, P.O. Box 89
Anchorage, Alaska 99502, 6721 West Raspberry Road
Atlanta, Georgia 30309, Rm. 440 Massell Bldg., 1365 Peachtree St., N.E.
Baltimore, Maryland 21201, 1017 Federal Bldg., 31 Hopkins Plaza
Belfast, Maine 04915, P.O. Box 470
Bellevue, Washington 98006, (Seattle) Rm. 414, One Newport, 3605 132nd Avenue, S.E.
Boston, Massachusetts 02109, 1600 Customhouse, 165 State St.
Buffalo, New York 14202, 1307 Federal Bldg., 111 West Huron St.
Dallas, Texas 75243, 9330 LBJ Freeway, Room 1170
Denver, Colorado 80228, 12477 West Cedar Drive
Douglas, Arizona 85608, P.O. Box 6
Farmington Hills, Michigan 48018, (Detroit) 24897 Hathaway Street
Ferndale, Washington 98248, P.O. Box 1125
Fort Lauderdale, Florida 33318, P.O. Box 16027
Grand Island, Nebraska 68802, P.O. Box 1588
Hato Rey, Puerto Rico 00918, (San Juan) 747 Federal Bldg.
Houston, Texas 77008, Rm. 900, 1225 North Loop West
Kansas City, Missouri 64133, Brywood Office Tower, Rm. 320, 8800 East 63rd St.
Kingsville, Texas 78363-0632, P.O. Box 632
La Mesa, California 92041, (San Diego) Room 405, 7840 El Cajon Blvd.
Langhorne, Pennsylvania 19047, (Philadelphia) One Oxford Valley Office Bldg., Rm. 404, 2300 E. Lincoln Highway
Laurel, Maryland 21045, P.O. Box 250
Livermore, California 94550, P.O. Box 311
Long Beach, California 90807, Rm. 501, 3711 Long Beach Blvd.
Miami, Florida 33166, Koger Bldg., Room 203, 8675 NW 53rd Street
New Orleans, Louisiana 70123, Room 505 800 West Commerce Street
New York, New York 10014, 201 Varick Street
Norfolk, Virginia 23502, Military Circle, 870 N. Military Highway
Park Ridge, Illinois 60068, (Chicago) Rm. 306, Park Ridge Office Center, 1550 Northwest Highway
Portland, Oregon 97204, 1782 Federal Bldg., 1220 S.W. 3rd Ave.
Powder Springs, Georgia 30073, P.O. Box 85
Sabana Seca, Puerto Rico 00749, P.O. Box FCC
St. Paul, Minnesota 55101, 691 Federal Bldg., and U.S. Courthouse 316 N. Robert St.
San Francisco, California 94111, 424 Customhouse, 555 Battery St.
Tampa, Florida 33607, Interstate Bldg., Rm. 601, 1200 N. Westshore Blvd.
Waipahu, Hawaii 96797, (Honolulu) P.O. Box 1030

VI. SCIENCE AND TECHNOLOGY

The Science and Technology Activity provides technical advice and support to the Commission and operating bureaus concerning the allocation, assignment, and compatibility of uses of the electromagnetic spectrum. As the research arm of the Commission, the Activity provides the Commission with the technical and scientific basis for regulation of the radio spectrum. Responsibilities of the Activity include the overall management of the international radio regulations and the domestic implementation of those regulations. Additionally, the Science and Technology Activity is involved with the domestic allocation and use of radio frequencies in the public interest and is responsible for developing technical standards for equipment licensed in the radio services. The Activity is also responsible for planning for future uses of the spectrum and for keeping abreast of new technological developments that will have an impact on the FCC.

Financial Requirements:	1985 Act	1986 Est.	1987 Est.	Change
Personnel Compensation.........	$4,514	$4,004	$4,001	$ -3
Personnel Benefits.............	485	427	426	-1
Benefits for Former Personnel..	5	6	6	--
Other Obligations..............	1,945	1,529	1,672	+143
Total......................	$6,949	$5,966	$6,105	$ +139

Personnel by Program:	1985 Act.		1986 Est.		1987 Est.		Change	
	Pos.	WY	Pos.	WY	Pos.	WY	Pos.	WY
1. Technical Analysis..........	23	28	23	23	23	23	--	--
2. International Telecommunications Policy.........	12	12	12	11	12	11	--	--
3. National Spectrum Mgmt......	23	23	23	22	23	22	--	--
4. Equip. Stds. & Approval.....	43	46	43	43	43	43	--	--
5. Technology Planning.........	3	5	3	2	3	2	--	--
Total......................	104	114	104	101	104	101	--	--

Personnel by Organization:	1985 Act.		1986 Est.		1987 Est.		Change	
	Pos.	WY	Pos.	WY	Pos.	WY	Pos.	WY
Office of Science and Technology..................	99	109	99	96	99	96	--	--
Information Management.........	5	5	5	5	5	5	--	--
Total......................	104	114	104	101	104	101	--	--

SCIENCE AND TECHNOLOGY

Activity Objectives

1. Obtain maximum use of the radio frequency spectrum by recommending actions that provide minimum marketplace constraints through the technical analysis and review of agenda items, research activities, and the submission of relevant items to the Commission.

2. Review and propose the modification or elimination of pertinent parts of the Commission's rules in order to maximize consumer choice and technological development, consistent with minimizing harmful interference.

3. Provide to the public, the Commission, and the Congress, in an accurate and expeditious manner, technical guidance for the development or modification of regulations permitting the entry of new telecommunications products, devices, and industries into the marketplace.

4. Process all pending applications expeditiously and respond promptly to petitions for rulemaking.

5. Provide support to other bureaus and offices as requested to advance U.S. Communications interests at international conferences.

1. TECHNICAL ANALYSIS

This program has two main goals. First, to provide timely technical analysis and support to other FCC elements, both within the Science and Technology Activity and in other FCC activities, on current inquiries and rulemakings before the Commission. Second, to undertake long term studies looking at technical issues that have major policy implications such as radio propagation and technical regulations. These long term studies are intended to develop a technical knowledge base which will prepare the Commission for a faster response to future issues and serve as a technical foundation for rule changes that provide for more efficient communications services.

Personnel by Program:	1985 Act.		1986 Est.		1987 Est.		Change	
	Pos.	WY	Pos.	WY	Pos.	WY	Pos.	WY
Technical Analysis	23	28	23	23	23	23	—	--

SCIENCE AND TECHNOLOGY

FY 1985 Objectives/Accomplishments

Objective: Conduct radio propagation studies to provide a basis for modifying regulations to permit an expanded number of radio users into the marketplace with minimum constraints overall.

Accomplishment: Six months of Low Latitude MF Skywave Measurement data were analyzed and incorporated in the International Radio Consultative Committee (CCIR) International Working Party (IWP) 6/4 Report. The staff coordinated agency action needed to reactivate the Low Latitude MF Skywave project which was delayed due to lack of contract funds. Preliminary results of the 900 MHz mobile measurements in Southern California were presented to the public in a meeting of the Institute of Electrical and Electronic Engineers (IEEE) Vehicular Technology (VT) Propagation Committee. The staff completed an improved skywave field strength prediction model and submitted the model and information pertaining to it for publication in the IEEE Transactions on Broadcasting. A document was prepared dealing with gyro-frequency and its physical meaning for submission to the CCIR Joint IWP 10/3 - 8/1 (sharing in the band 1605-1705 kHz) meeting in Lima, Peru. To support Commission proceedings dealing with aeronautical navigation interference, propagation curves predicting interference in the FM tower-to-aircraft mode involving unusually great antenna heights were developed. To compute radio field strength in cases of unusually great antenna heights required investigation of relatively unfamiliar mathematical aspects of applicable propagation models. The FCC MF groundwave propagation model was validated by comparison with the computer program of the Institute for Telecommunication Sciences in Boulder, Colorado.

Objective: Study new communications technology that may be inhibited by the present rules and recommend the minimum regulatory structure necessary for the realization of such technology.

Accomplishment: Parts 2 and 97 of the Rules to authorize spread spectrum techniques in the Amateur Radio Service, and Parts 15 and 90 to allow use of spread spectrum technology by Part 15 devices and by law enforcement officials, were amended. A modification of Part 68 to decrease the regulatory burden on registration applicants was proposed for the Common Carrier Activity. A study pertaining to evaluation of a new spectrum compression technology was completed. To stimulate the development of more efficient technology by removing regulatory barriers, a new approach to the introduction of new technologies was developed. A Notice of Inquiry/Notice of Proposed Rulemaking was adopted by the Commission dealing with technical flexibility for the Mobile Communications Services. This major new initiative proposed to eliminate ad hoc rulemaking or waivers in the authorization of new mobile radio technology. A measurement procedure was developed to more accurately measure the emissions from spread spectrum devices.

SCIENCE AND TECHNOLOGY

Objective: Develop computer programs, analytical models, technical procedures, and data bases needed to improve the internal productivity of the Commission and help further the Commission's regulatory objectives.

Accomplishment: Five programs were converted from the Honeywell computer to the analytic microcomputer, which included subroutines and functions used in the Master File Search System. Among the functions that these programs performed were the retrieval of states and counties which make up a particular Standard Metropolitan Statistical Area (SMSA). The Aeronautical Frequency Processing System was improved to speed up the comparison of cable frequencies with those of new aeronautical stations and was expanded to include Aeronautical Radio, Inc. (ARINC) frequencies in its analysis. Several programs were written to process the magnetic tape containing International Frequency Registration Board (IFRB) Region 2 AM data. One of these programs converted IFRB data from tape format to the format used by the AM programs on the scientific minicomputer. The data from this conversion will be useful for processing foreign proposals, conducting bilateral negotiations, and performing Cuban interference studies. The first step in meeting an anticipated requirement for adaptation of the FCC/DSA channel allotment program to AM broadcast in the new band 1605-1705 kHz was taken. A preliminary procurement document (sources sought announcement) was prepared. Computer programs were written which determine terrain profile from a given point and bearing, using the Defense Mapping Agency's topographic data base for terrain elevation values, and which plot the radio horizon angle around a given point using the same data base. The second program optionally provides a polar plot which displays the distance to the horizon around a given point, and is available on the VAX 11/780 minicomputer and can be used for propagation analyses where average terrain data or path profiles are needed. To make more technical information available to the staff and the public, over 5,000 abstracts of technical reports and documents were entered on the VAX (analytic) minicomputer. These abstracts form the data base against which the Technical Document Locator System (TDLS) runs. In addition, a program to retrieve technical abstracts from the TDLS data base was developed and written. The program allows for retrieval of document abstracts either by author's name, organizational affiliation or key words. A project to write an up-to-date version of the Frequency Availability (FREAVY) program was started. The original version was written in 1969 on a computer system which was batch oriented and run from punched cards. The focus of this new system will be one which takes advantage of today's interactive environment and smart terminal hardware. In addition, an on-line update capability will be added to the program to keep abreast of changes to the rules which affect channelizations, eligibility, and operational constraints.

Objective: Supply technical assistance and analysis to support the development of U.S. negotiation positions regarding international telecommunications matters.

SCIENCE AND TECHNOLOGY

Accomplishment: Preparations for the 1985 Space WARC Conference continued. Two software packages on the Rainbow personal computer (MBASIC and poly-COM) were installed, and the Verticom color graphic terminal was evaluated. A rudimentary graphics software package, e.g., line drawing, polygon shading, positioning of the text, for the Verticom Graphics terminal was developed. While this software was developed in anticipation of support for the graphical requirements of the U.S. delegation at the 1985 Space WARC, it can be used as a general purpose package for the Commission. Preparations for the 1986 RARC for the planning of the AM Broadcasting Service in the 1605-1705 kHz Band in Region 2 began. Computer resources, both hardware and software, were identified which will be needed to support the U.S. delegations. Arrangements were completed for the International Working Party (IWP) 6/4 meeting and preparations were made for the technical discussions of skywave interference protection relating to the new band 1605-1705 kHz. The contract with the University of Alaska was modified to include reduction and analysis of Low Latitude as well as High Latitude data.

Objective: Supply the scientific and technical information necessary for rulemakings which will minimize harmful interference among users of the spectrum consistent with minimum marketplace constraints.

Accomplishment: A Report and Order and Further Notice of Proposed Rulemaking (Docket 79-144) was adopted. This item amended rules to implement the National Environmental Policy Act which contains criteria for evaluating potentially hazardous RF radiation from FCC regulated operations and facilities. The potential for TV interference of several alternatives for meeting the Los Angeles Sheriff's request for Land Mobile radio spectrum was investigated. A jointly developed staff recommendation in the Report and Order in Docket 20735, concerning interference to TV Channel 6 service from educational FM stations, was adopted by the Commission. The effort included evaluating the effective interference for a number of scenarios to determine the impact of various proposals for rules under which educational FM stations, might be authorized. The staff provided technical/editorial assistance in the following rulemaking proceedings: The release of the 900 MHz reserve spectrum for Public Land Mobile Radio Services (PLMRS) use, frequency coordination in PLMRS, creation of a Personal Radio Service, creation of a Mobile Satellite Service, additional TV/land mobile sharing, and use of Amplitude Compandored Single Sideband in Private Land Mobile at 150 MHz. Technical assistance was provided in the preparation of an expanded table of FM allotments, which included verifying that choices between candidate localities represent the imposed value objectives and that the selections are properly constrained by distance separation requirements to avoid interference. Construction of special computer programs to support production activities and comparative protection runs were also performed. A report was completed on antenna coupling model for site attenuation.

SCIENCE AND TECHNOLOGY

FY 1986 Objectives

1. Conduct radio propagation studies to provide a basis for modifying regulations to permit an expanded number of radio users into the marketplace with minimum constraints overall.

2. Study new communications technology that may be inhibited by the present rules and recommend the minimum regulatory structure necessary for the realization of such technology.

3. Develop computer programs, analytical models, technical procedures and data bases needed to improve the internal productivity of the Commission and help further the Commission's regulatory objectives.

4. Supply technical assistance and analysis, to support the development of U.S. negotiation positions regarding international telecommunication matters.

5. Supply the scientific and technical information necessary for rulemakings that will minimize harmful interference among users of the spectrum consistent with minimum marketplace constraints.

FY 1987 Objectives

1. Conduct radio propagation studies to provide a basis for modifying regulations to permit an expanded number of radio users into the marketplace with minimum constraints overall.

2. Study new communications technology that may be inhibited by the present rules and recommend the minimum regulatory structure necessary for the realization of such technology.

3. Develop computer programs, analytical models, technical procedures and data bases needed to improve the internal productivity of the Commission and help further the Commission's regulatory objectives.

4. Supply technical assistance and analysis, to support the development of U.S. negotiation positions regarding international telecommunication matters.

5. Supply the scientific and technical information necessary for the rulemakings that will minimize harmful interference among users of the spectrum consistent with minimum marketplace constraints.

SCIENCE AND TECHNOLOGY

FY 1987 Justification

An additional $10,000 for the short term rental of technical equipment is requested in FY 1987 to improve the program's testing capabilities in support of specific projects. This specialized equipment support will enable the program to complete required tests for projects of a limited duration, such as measurements in support of rulemaking and policy development, and evaluation of new measurement techniques. This equipment support will improve the efficiency and enhance the productivity of the engineering staff.

2. INTERNATIONAL TELECOMMUNICATIONS POLICY

This program involves the overall management of international radio regulations and of the domestic implementation of such regulations by the FCC. These regulations, upon ratification, acquire the status of international treaties which are binding upon the United States and govern international and domestic radio frequency allocations, allotments, assignments and associated technical and operating rules. Various conferences are held periodically under the aegis of the International Telecommunication Union (ITU), a specialized agency of the United Nations. The mission of the ITU is to deal with the development of regulations in specialized areas of radio use such as aeronautical, maritime, broadcasting and communication satellites as well as areas of emerging technology, such as advanced satellites, spread spectrum, and general radio regulations. Current efforts will focus on planning for participation in specialized conferences resulting from the extensive changes adopted by the 1979 World Administrative Radio Conference (WARC) and on securing international registration of U.S. space networks.

Personnel by Program:	1985 Act.		1986 Est.		1987 Est.		Change	
	Pos.	WY	Pos.	WY	Pos.	WY	Pos.	WY
International Telecommunications Policy....	12	12	12	11	12	11	--	--

FY 1985 Objectives/Accomplishments

Objective: Represent and advance U.S. communications interests at international conferences concerning the development of telecommunications regulations by attending preparatory meetings and participating actively in international study groups and through participation on the delegation to the first session of the Space WARC.

Accomplishment: Principal focus was on the 1985 Space WARC, the 1987 Mobile WARC, and the 1986 AM Broadcasting Regional Administrative Radio Conference (RARC). In preparation for the Space WARC, staff members attended the International Telecommunications Union/Conference of Interamerican Telecommunications (ITU/CITEL) jointly sponsored Space WARC Seminar in Buenos Aires, and the ITU Regional Seminar for the Space WARC in Nairobi. Several bilaterials were attended concerning the Space WARC and valuable information a

Telecommunications (ITU/CITEL) jointly sponsored Space WARC Seminar in Buenos Aires, and the ITU Regional Seminar for the Space WARC in Nairobi. Several bilaterials were attended concerning the Space WARC and valuable information and insights on the preparation of other countries were brought back to the United States. Staff members served on the U.S. Delegation to the Space WARC and spoke for the United States in respect to ITU regulatory matters. Staff members participated in meetings of the International Radio Consultative Committee (CCIR) Study Groups 8A and 8B; in the U.S. preparatory work for the CCIR Plenary Assembly as well as the International Telephone and Telegraph Committee (CCITT) Study Group XVIII and other special study groups; and with the FCC Group in preparation for the Mobile WARC. Staff members participated in meetings with officials from Canada and the United Kingdom presenting and promoting the development of U.S. positions for the Mobile WARC. A staff member served as International Chairman of the International Maritime Distress and Safety System (FGMDSS), whose work is directly related to the Mobile WARC. Preparations for the 1986 RARC for the planning of the AM Broadcasting Service in the 1605-1705 kHz Band in Region 2 were begun. A staff member served as the International Chairman of the International Working Group (IWP) 6/4 meeting in Peru which was held to consider technical preparations for the 1986 RARC dealing with the 1605-1705 kHz Band. The IWP 6/4 is responsible for developing recommendations concerning skywave propagation models. A staff member completed the Final Report of the IWP 6/4 and forwarded it to the CCIR Director for approval. This report will be distributed to the administrations of Region 2 before the first session of the AM Broadcasting RARC. Staff members represented U.S. interests at three bilateral meetings with Canada treating issues such as development of a land mobile satellite service and anticipated radio services at 2.5 GHz.

Objective: Coordinate the preparation of FCC proposals on the HF Broadcasting, Space Services, Mobile and AM Broadcasting Conferences for submission to the Department of State (DOS) and assist in establishing positions that are in the best interest of the United States.

Accomplishment: The second session of the HF Broadcasting Conference has been extended from 1986 into 1987; staff members along with the DOS have been following the intersessional activities for need of further action by the FCC. The staff coordinated the preparation of a First Report and Order supporting U.S. proposals in the Commission's preparation for the Space WARC, and the FCC preparatory activity in the area of computer support and gave a final decision to the Space WARC Core Delegation Group. Additionally, the staff prepared position papers concerning procedures for the space services conference. The staff completed a Second Notice of Inquiry for preparation for the Mobile WARC and completed an action which established a Federal Advisory Committee to assist the Commission in its preparations for the Mobile WARC. Additionally, the staff developed proposals for the agenda of the Mobile WARC concerning allocations for mobile satellite service. The staff prepared input documents for the final meetings of the CCIR 1982-1986 cycle. Staff members were closely involved in this work on both a national and international level. The significance of CCIR is increasing because it provides the technical and operational bases to a large number of scheduled WARCs.

SCIENCE AND TECHNOLOGY

Objective: Monitor and analyze international technological and institutional developments affecting the Commission's communications policies, particularly those matters before the International Telecommunication Union (ITU).

Accomplishment: The staff continues to follow and participate in a number of areas that could affect the Commission's telecommunications policies. These include activities to revise the ITU Convention. A review of Japanese proposals for this purpose was completed this year. In addition, staff participated in a review of the U.S. relationship to the ITU and contributed several chapters to a report on the topic which will be an important input to U.S. positions in revising the ITU Convention at the next ITU Plenipotentiary Conference. Staff members have been following the activities of the Maitland Commission, which was created by the last ITU Plenipotentiary Conference in 1982 to examine the ways in which technical cooperation and assistance can be better provided to the developing world. The staff has reviewed the report of the Maitland Commission and assisted in preparation of recommendations as to how to deal with the report and its after effects. The staff represented U.S. space interests in several meetings with INTELSAT or the U.S. signatory to INTELSAT, with a view toward permitting the elaboration of the U.S. domestic satellite system, the implementation of the U.S. broadcasting satellite service, and the start-up of international fixed-satellite networks separate from INTELSAT, while at the same time precluding technical or significant economic harm to the INTELSAT system.

Objective: Provide frequency coordination in response to approximately 150 requests. Notify approximately 3,000 ship stations. Notify approximately 500 terrestrial stations and 10 space networks.

Accomplishment: 403 coordination actions regarding terrestrial operations were undertaken with foreign administrations in FY 1985. 21,000 ship stations were notified by means of transmitting a specially formatted magnetic computer tape to the ITU. 1,218 terrestrial stations were notified and 220 actions concerning space networks were taken either in respect to furthering a U.S. network or providing required responses to a foreign network.

Objective: Provide support for ITU Fellows in cooperation with industry and other government agencies by administering approximately 25 fellowships during the year.

Accomplishment: The Science and Technology Activity continued the administration of the ITU Technical Assistance Program during fiscal year 1985; however, due to a reorganzation of OST in late FY 1985, the program was transferred to the Field Operations Activity. During FY 1985 the ITU forwarded approximately 35 fellowship candidates to the U.S. and training programs were found for all of them. Some of these, however, were rejected by the ITU for cost considerations. The Commission continued a close informal liaison with the International Telecommunications Training Institute by funneling ITU fellowship candidates there when the course offered seemed appropriate.

SCIENCE AND TECHNOLOGY

FY 1986 Objectives

1. Represent and advance U.S. international telecommunications interests concerning the development of telecommunications regulations by attending preparatory meetings, preparing U.S. proposals and positions, and participating actively in international meetings and conferences.

2. Protect U.S. interests by coordinating proposed domestic and foreign frequency assignments with affected countries. Protect U.S. frequency assignments by notifying information to the ITU for international registration of space and terrestrial assignments and resolving interference cases as they arise.

3. Monitor and analyze international technological and institutional developments affecting the Commission's communications policies, particularly those matters before the International Telecommunication Union. Provide expertise to the Commission and staff on matters of international spectrum/orbit usage; international agreements, regulations and procedures; and other international telecommunications matters.

FY 1987 Objectives

1. Represent and advance U.S. international telecommunications interests concerning the development of telecommunications regulations by attending preparatory meetings, preparing U.S. proposals and positions, and participating actively in international meetings and conferences.

2. Protect U.S. interests by coordinating proposed domestic and foreign frequency assignments with affected countries. Protect U.S. frequency assignments by notifying information to the ITU for international registration of space and terrestrial assignments and resolving interference cases as they arise.

3. Monitor and analyze international technological and institutional developments affecting the Commission's communications policies, particularly those matters before the International Telecommunication Union. Provide expertise to the Commission and staff on matters of international spectrum/orbit usage; international agreements, regulations and procedures; and other international telecommunications matters.

SCIENCE AND TECHNOLOGY

3. NATIONAL SPECTRUM MANAGEMENT

This program deals with the domestic allocation and use of radio frequencies in the public interest. Its responsibilities include rulemaking proceedings to amend the Commission's Table of Frequency Allocations on the basis of new or changing frequency requirements. Staff members coordinate with the National Telecommunications and Information Administration (NTIA) in the development of national telecommunication policies, frequency allocation matters and assignments of mutual concern, the development of more efficient frequency assignment techniques, and the adoption of improved technical standards consistent with advancing technology. The staff aids in the development of U.S. negotiation positions regarding international telecommunications matters and modifies domestic allocation on the basis of international agreements.

Personnel by Program	1985 Act.		1986 Est.		1987 Est.		Change	
	Pos.	WY	Pos.	WY	Pos.	WY	Pos.	WY
National Spectrum Mgt.	23	23	23	22	23	22	—	—

FY 1985 Objectives/Accomplishments

Objective: Process experimental license applications expeditiously to encourage technical innovation. Through the use of data automation equipment, maintain average processing time of no more than 100 days on items not requiring interagency coordination.

Accomplishment: The average processing time for experimental applications not requiring interagency coordination was 50 days. Six hundred seventy applications for new or renewal authorizations were processed.

Objective: Promote the development and availability of new technology and new services by initiating action on most petitions for rulemaking within 24 months and completing action on most outstanding dockets within 36 months. Provide expertise to the Commission staff on spectrum utilization matters arising from implementation of new services and technologies.

Accomplishment: The program staff responded to petitions for rulemaking by drafting or jointly drafting with other Commission Bureaus four Notices of Proposed Rulemaking. All of these notices were presented to the Commission within 24 months of receiving the petition. In addition to the four Notices, the program staff generated four Report and Orders or Memorandum Opinion and Orders which completed action or concluded major issues in their respective dockets. Two of the four were completed and adopted by the Commission within 36 months of receiving the petition. The two other Report and Orders dealing with the 900 MHz allocation issues, however, were in excess of 36 months from the time the Commission received their respective petitions. This was necessary in order to consider all of the allocation issues of the 900 MHz reserve bands together.

SCIENCE AND TECHNOLOGY

Notices were prepared in the following dockets:

84-1231	Additional Cellular Allocation of 900 MHz.
84-1233	Additional Private Land Mobile Allocation at 900 MHz.
84-1234	Land Mobile Satellite Service
84-902	Los Angeles County Sheriff's Department (FNPRM)

Orders were adopted in the following dockets:

82-335	Aural Studio Transmitter Links (R&O and MO&O)
83-30	Air/Ground Radiotelephone Service (R&O)
RM-4871	Master Plan for Land Mobile Narrowband (MO&O)
84-689	Radiodetermination Satellite Service (R&O)

In addition, three petitions for rulemaking requesting reallocation of spectrum were dismissed by the Chief Scientist under delegated authority. The program staff reviewed approximately 50 Notices and Orders dealing with spectrum utilization matters, providing advice to the Commission and other offices.

Objective: Continue review of Parts 2, 5, 15, and 18 of the existing regulations to determine which technical standards enhance innovation and to identify those that are overly restrictive, including the development of an optimum allocation plan for fixed services use of the radio spectrum, between 1-40 GHz.

Accomplishment: A Report and Order was prepared in Doc. 82-334, adopting rules to provide for use of the 31 GHz band by the fixed and mobile services. Also, a Second Notice of Proposed Rulemaking was prepared in Doc. 82-334, considering allocations and standards for certain fixed and mobile services bands between 2 and 13 GHz. In addition, a Memorandum Opinion and Order was prepared in Doc. 82-334 and Doc. 79-188, concerning utilization policies for fixed and mobile services use of spectrum at 18 GHz. In a major action, the staff prepared a Notice of Proposed Rulemaking to permit additional private land mobile sharing of UHF-TV frequencies in eight cities. Along with this, the staff prepared a Memorandum Opinion and Order establishing an industry advisory committee on the technical issues of land mobile/UHF-TV sharing. Members of the staff filled the positions of Chairman and Secretary of the Committee, as well as providing representation as Designated Federal Employee. A Notice of Proposed Rulemaking and a significant Report and Order were prepared proposing to amend Part 2 to permit use of 421-430 MHz by land mobile in Detroit, Buffalo and Cleveland. An order was prepared amending Part 2 to delete an obsolete allocation for collision avoidance systems.

SCIENCE AND TECHNOLOGY

Objective: Review and assess the techniques used by the FCC and other bodies concerned with spectrum management and those techniques postulated in theoretical studies to determine possible improvements to FCC spectrum management methods. Assess technical developments that could have an impact on spectrum utilization and allocations and determine the appropriate FCC spectrum management response.

Accomplishment: The staff reviewed a proposal for the development and implementation of a flexible mobile radio service, which was formally proposed for a portion of spectrum in the 900 MHz range. This would eliminate any of the standards pertaining to eligibility, permissible communications and technical parameters. The staff also reviewed another proposal for flexible radio service, which was formally proposed for spectrum covering UHF-TV Channels 50-59. This would permit broadcasters to use their frequencies for any radio service provided that the aggregrate powers would not exceed the service contour associated with regular TV service. Discussions were held with industry representatives concerning land mobile technologies, such as narrowband emissions and enhanced trunking, and findings were taken into account in rulemakings concerning the land mobile services. Discussions were also held with industry representatives concerning data distribution, such as in local area computer networking and home banking, to obtain information for possible future spectrum management actions.

Objective: Coordinate with NTIA in the development of national telecommunication policies, frequency allocation matters, and assignments of mutual concern.

Accomplishment: The staff provided FCC representation in the Interdepartment Radio Advisory Committee (IRAC), chaired by NTIA, which considered 457 items concerning federal government and non-government telecommunication matters. Further, the staff provided FCC representation in the Spectrum Planning Subcommittee of IRAC, which considered radio frequency plans for about 70 federal government agencies. The staff also provided FCC representation on the Frequency Assignment Subcommittee of IRAC, where 50,401 frequency authorization requests from federal government agencies and 1,232 frequency authorization requests from the private sector were reviewed and coordinated. In addition to formal committee efforts, the staff maintained routine contact with spectrum management officials of NTIA to exchange views on telecommunication matters such as policies concerning the development and implementation of a mobile satellite service. At the request of NTIA, an Order was prepared amending Part 2 to restrict amateur radio of 902-928 MHz in the vicinity of White Sands Missile Range, in order to protect important military operations. Additionally, an Order was prepared clarifying the Commission's Rules with regard to protection of important federal government operations at the Table Mountain Radio Receiving Zone. The Commission and NTIA agreed to pursue an additional allocation to the mobile service at 18 MHz primarily to support U.S. Coast Guard operations, and the staff prepared a Notice of Proposed Rulemaking to amend Part 2 appropriately. The staff prepared a Report and Order completing action on a request from NTIA to provide spectrum for federal government fixed services at 900 MHz; the Order provides for an allocation to be shared by the government and private sectors. The staff began participation on an IRAC Ad Hoc Working Group to develop technical standards for this fixed service.

FY 1986 Objectives

1. Process experimental license applications expeditiously to encourage technical innovation. Through the use of data automation equipment, maintain average processing time of no more than 75 days on items not requiring interagency coordination.

2. Promote the development and availability of new technology and new services by initiating action on most petitions for rulemaking within 18 months of receiving petition and completing action on most outstanding rulemaking dockets within 18 months of initiating action. Provide expertise to the Commission staff on spectrum utilization matters arising from implementation of new services and technologies.

3. Review existing FCC regulations to determine which standards enhance innovation and to identify those that are overly restrictive. Initiate changes, as appropriate, to permit increased efficiency in spectrum utilization. Review and assess the techniques used by the FCC and other spectrum management bodies and those techniques postulated in theoretical studies to determine possible improvements to FCC spectrum management methods.

4. Coordinate with NTIA in the development of national telecommunications policies, frequency allocation matters, and assignments of mutual concern.

5. Assist in the development of U.S. positions regarding spectrum utilization matters for international radio conferences and bilateral meetings and provide for necessary domestic implementation of international allocation agreements.

FY 1987 Objectives

1. Process experimental license applications expeditiously to encourage technical innovation. Through the use of data automation equipment, maintain average processing time of no more than 75 days on items not requiring interagency coordination.

2. Promote the development and availability of new technology and new services by initiating action on most petitions for rulemaking within 18 months of receiving petitions and completing action on most outstanding rulemaking dockets within 18 months of initiating action. Provide expertise to the Commission staff on spectrum utilization matters arising from implementation of new services and technologies.

3. Review existing FCC regulations to determine which standards enhance innovation and to identify those that are overly restrictive. Initiate changes, as appropriate, to permit increased efficiency in spectrum utilization. Review and assess the techniques used by the FCC and other spectrum management bodies and those techniques postulated in theoretical studies to determine possible improvements to FCC spectrum management methods.

4. Coordinate with NTIA in the development of national telecommuncation policies, frequency allocation matters and assignments of mutual concern.

5. Assist in the development of U.S. positions regarding spectrum utilization matters for international radio conferences and bilateral meetings and provide for necessary domestic implementation of international allocation agreements.

FY 1987 Justification

An additional $15,000 is requested in FY 1987 for the National Spectrum Management and International Telecommunications Policy programs for automation equipment to improve the execution of continuing administrative responsibilities related to international obligations and coordination of certain license applications. Under our international obligations, the FCC is required to submit proposed satellite networks to the ITU for coordination with affected countries and to register the coordinated networks at the ITU in order to acquire rights to frequencies and orbital slots. At present, coordination/registration activities are manual processes and the staff will not be able to keep pace with the expected increased workload as new satellite networks are brought on line. This additional automation equipment will improve the efficiency and enhance the productivity of a limited clerical staff. Another specialized requirement involves the coordination of license applications on frequencies shared with the federal government. Applications from the Commission's licensing bureaus are submitted to the other federal agencies for concurrence, and similarly, other federal agencies submit frequency requests to the FCC. This additional automation equipment will enable the FCC to develop, with NTIA, a more sophisticated network among agencies, including agency polling and application tracking. This, in turn, will improve the efficiency of the FCC licensing process for use of the shared frequencies.

4. EQUIPMENT STANDARDS & APPROVAL

In order to make the most efficient use of the radio spectrum the Commission, through this program, develops technical standards for equipment licensed in the various radio services, for accessory devices used with licensed equipment, and for equipment which may be operated without a license under the Commission's Rules. Responsibilities include providing the technical basis for systems standards in licensed services, radio frequency devices, and industrial, scientific and medical (ISM) equipment, the licensing of experimental stations, and the equipment approval program which is the Commission's vehicle for ensuring that its technical standards are followed.

Personnel by Program:	1985 Act.		1986 Est.		1987 Est.		Change	
	Pos.	WY	Pos.	WY	Pos.	WY	Pos.	WY
Equipment Stds. and Approval	43	46	43	43	43	43	—	—

1985 Objectives/Accomplishments

Objective: Continue the implementation of changes to Parts 2, 15, 18 and existing equipment authorization procedures, as directed by the Commission to restructure the equipment authorization program. In this regard, implement changes to allow for improved follow-up of marketing violations and an expanded equipment sampling program, in order to improve the viability of the Equipment Authorization Program.

Accomplishment: A Report and Order to update the administrative rules in Part 18 was approved by the Commission. The subsequent relaxation of the rules resulted in all non-consumer ISM devices being moved from Certification into Verification, which requires no filing with the Commission (although testing and maintaining of adequate records to verify compliance is required). This action is expected to reduce the number of equipment authorization requests by 100 applications per year and result in a reduction of 600 burden hours per year on the public. In addition, microwave ovens and other Part 18 consumer devices were moved from Type Approval to Certification, which does not require the submission of samples for testing, resulting in a less stringent equipment authorization process. Approximately 150 such devices are expected to be affected by this relaxation of the rules, with a reduction of 300 burden hours on the public. In addition, the full impact on Docket 83-10, which established the simplified authorization process of "Notification" and moved certain types of equipment from more complex approval procedures into Notification or Verification was realized in FY 1985. As a result of this relaxation of the Rules, 1,063 devices were authorized through the Notification procedure, and an estimated 5,250 pieces of equipment were marketed following Verification of compliance with the Commission Rules by the manufacturer. Despite the relaxation of the Commission Rules, continued manufacturer compliance with established standards and regulations was ensured by establishing a new Branch (the Sampling and Measurements Branch) whose function is to implement an expanded sampling program and to provide a vehicle for improved follow-up of marketing violations. The primary new responsibilities of the Branch are to perform post-grant sampling on equipment regulated by the Commission and provide necessary follow-up action when violations are found; to the extent possible, ensure the viability of testing laboratories which submit technical data to the Commission as a part of the equipment authorization process through test site visitations and review of test laboratory descriptions; and to develop test procedures for equipment regulated under Parts 2, 15 and 18. Pre-grant sampling was performed on 260 pieces of equipment proposed for equipment authorization, and post-grant sampling was performed on 125 marketed devices. Special emphasis was placed on testing of cordless telephones and computing devices. As a result, Notices of Apparent Liability (NALs) were issued to 6 manufacturers of cordless telephones, and in cooperation with the Field Operations Activity, 300 Seequa computers were seized under court order for illegal marketing. Eleven of these devices were selected for extensive testing to verify non-compliance. Further effort in the testing of computing devices is anticipated next fiscal year. To verify compliance with Commission standards, nine test laboratories were visited during the year, and 35 test site descriptions were completely reviewed for technical adherence to Commission regulations. A report and recommendations based on this analysis are expected to be completed next fiscal year. Testing and evaluation of medical ultrasonic equipment submitted by the industry resulted in a report on the interference potential of such equipment, which was incorporated into a proposed rulemaking issued by the Commission. In addition, RF light sources were tested in an attempt to determine the interference potential of the subject devices, and testing of microwave ovens was initiated to develop new test procedures for such equipment. Further recommendations in each of these areas is expected in FY 1986.

Objective: Process equipment authorizations as accurately and timely as possible, acting on 90% of applications within 60 days.

Accomplishment: Of 8,082 applications acted on in FY 1985, 90% were acted upon in 55 days. Computed annually, the speed of service was maintained in all categories despite an unexpectedly large number of applications for type approval, which requires submission and review of the most detailed technical data, as well as testing of a manufacturer's sample. Commission action to relax the authorization procedures for many of the devices regulated under Part 18 is expected to alleviate this situation in FY 1986.

Objective: Promote the development and availability of new technology by updating and clarifying Parts 2, 15, and 18, and by relaxing or eliminating unnecessary regulation. Respond to petitions for rulemaking and process internally generated Commission proceedings dealing with electromagnetic compatibility in a timely manner.

Accomplishment: A. Cordless Telephones (FCC Docket 83-325)
Rules were adopted requiring that labels be placed on cartons in which cordless phones were sold to warn consumers of the potential for false billing due to signals picked up from other nearby units. A clarification of the bandwidth requirements established in the cordless telephone regulations approved in FY 1984, was also made in this proceeding at the request of General Telephone and Electronics (GTE).

B. Idustrial, Scientific and Medical Equipment (ISM) FCC Docket 20718)

A revision of the administrative rules governing ISM equipment regulated under Parts 2 and 18 was adopted. The new Rules resulted in a restructuring of the equipment authorization program, deletion of burdensome and obsolete rules, consolidation of test procedures for all Part 18 devices (MP-5), and establishment of Commission policy for enforcement of the sampling program. Testing and evaluation of medical ultrasonic diagnostic equipment regulated under Part 18 rules governing emissions from ISM equipment resulted in the development of proposed new regulations for such equipment, which the Commission is expected to consider early in FY 1986.

C. RF Light Sources (FCC Docket 83-806)

In co-ordination with the industry, testing of RF light sources regulated under Part 18 was accomplished in an attempt to determine the interference potential of the subject devices. Commission action based on an evaluation of this testing is expected in FY 1986. At the request of the National Equipment Manufacturers Association (NEMA), the Commission recommended a change in the labelling requirements established under waiver for RF light sources, and further granted, in part, NEMA's request to change the administrative requirements associated with a previous waiver of the three year re-certification requirement found in Section 18.142 of the Commission's Rules.

D. Perimeter Protection Systems (FCC Docket 82-827)

Further new rules were adopted to amend part 15, Subpart F to permit the operation of perimeter protection systems in the low VHF bands (50-68 MHz). Such systems are used for security purposes and employ an electric cable buried around the perimeter of the zone to be protected. The cable system transmits a low level radio signal to detect intruders. A waiver of the Rules to permit limited operation of such systems pending final Commission rulemaking, was also issued.

E. Field Disturbance Sensors (FCC Docket 85-129)

In response to a petition from the Knogo Corporation, new rules were proposed which amend the present regulations to allow swept frequency field disturbance sensors and other low power communication devices, regulated under Part 15, to operate on any frequency between 2 and 10 MHz. The proposed rules do not identify specific types of permitted devices, but only specify emission limits to address interference control. In a separate proceeding, a petition from Vehicle Radar Safety Systems (VRSS) for rulemaking to change the field strength limits for field disturbance sensors in Part 15 was dismissed. However, in order to give time for this new technology (a collision warning system for automobiles and trucks) to comply with the Part 15 requirements, the Commission granted a waiver for two years to permit the use of greater signal strength. It is expected that this equipment can be made to comply with the existing Part 15 limits within the two-year period.

F. Remote Control and Security Devices (RM-4637, RM-4813)

A meeting was held with the manufacturers of these devices in order to hear their concerns and exchange views. A Notice of Proposed Rulemaking addressing these devices is expected early in FY 1986.

G. Terminated Proceedings

1. A request from R.C. Greene for authority for video transmission in the VHF-TV bands, was denied based upon previous denial of similar requests. Likewise, a request from the petitioner for review by the Commission resulted in a denial of authority to operate as requested.

2. A Transcience request for waiver of the Part 15 emissions requirement for low power security devices was dismissed upon the receipt of a new petition from the company, which will be considered when the Commission finalizes new rules for remote control and security devices.

3. A Linear Corporation request for waiver of the measurement procedures for security devices regulated under Part 15, was dismissed. The salient points in the waiver request will be considered in the Remote Control and Security Devices rulemaking expected in FY 1986.

Objective: Provide expertise to the Commission on technical standards. Represent the Commission by participating in national and international standards activities. Provide advice and assistance on technical standards and technology oriented rules and regulations, as required, in order to minimize regulation, consistent with efficient and effective spectrum utilization.

Accomplishment: A. Expertise concerning technical standards was utilized in the following areas:

1. Reviewed and analyzed various Dockets dealing with the 900 MHz band allocation.

2. Contributed to the development of Part 97 Rule changes to allow spread spectrum operation in the Amateur Radio Service.

3. Assisted in Part 22 changes in the modulation limits for non-voice and for cellular operations.

4. Assisted in the development of several Mass Media Activity rulemakings including a revision of Part 74, an NPRM regarding Direct Broadcast Satellites, and an NPRM establishing new technical standards for CATV systems.

5. Assisted in clarifying the provisions of Part 95 which allow digital modulation in the Remote Control Service.

6. Reviewed and analyzed a consolidation of the Parts 81 and 83 Maritime Rules into a new Part 80.

7. Attended meetings, presented papers and represented the Commission at the following conferences - Electromagnetic Compatibility (EMC) 84, Tokyo and Korea; Institute for Electrical and Electronic Engineers (IEEE) EMC Regicon, Los Angeles; IEEE Washington Section; NJ Chapter EMC Vehicular Technology (VT); National Bureau of Standards (NBS) EMI Metrology Seminar, Boulder; IEEE EMC Symposium, Boston.

B. Expertise concerning International and National EMC standards was utilized in the following areas:

1. Prepared a document concerning microwave loading which will be considered by the International Radio Consultative Committee (CCIR) Study Group 1.

2. Prepared a document concerning Amplitude Compandored Single Sideband tests which will be considered by Study Group 8 of the CCIR.

3. Reviewed and commented on CCIR Study Group 8 documents for the Final Meeting and for the Special Meeting preparing for the Mobile WARC.

4. At the request of the Department of Commerce, provided expertise in the areas of technical standards and equipment authorization in connection with the Market-oriented Sector Specific (MOSS) negotiations held in Tokyo.

5. Reviewed 30 documents for the International Special Committee on Radio Interference (CISPR). Attended meetings of the CISPR in Australia.

6. Work continued with the U.S. Committee of the CCIR International Working Party (IWP) 1/4 in preparing a position regarding industrial, scientific, and medical (ISM) interference limits. Attended a formal meeting of the IWP 1/4 which was held in November, 1985 in Geneva.

Objective: Maintain and calibrate technical equipment for the laboratory facility and other Commission activities: design, develop and construct unique equipment for Commission use as required.

Accomplishment: A. Routine calibration and repair items were handled within 15 days throughout FY 1985 with the total number of items processed as follows:

Laboratory instruments	37
FOB instruments	108

B. Special testing, repair, or development of equipment and computer software was done as follows:

1. Performed acceptance testing of a low noise amplifier, three Watkins-Johnson mixers, and a $50,000 HP automated spectrum analyzer.

2. Provided services to the Field Operations Activity (FOB) in aligning a UHF-FM transceiver.

3. Repaired the Laboratory frequency standard receiver active antenna electronics.

4. Performed tests on two FOB receivers being used on high priority interference cases, and fabricated two special coax cables required in investigations.

5. Computerized the inventory of technical equipment for which the Laboratory is responsible.

6. Modified the equipment authorization software to improve the efficiency of the programs and to simplify the use of the data base for the generation of special reports.

7. Provided programming support for the Science and Technology minicomputer.

SCIENCE AND TECHNOLOGY

Other Accomplishments

1. An Order modifying the "self-contained" requirement for 49 MHz devices regulated under Part 15 was adopted by the Commission.

2. The Commission approved a six month extension for the manufacture of 49 MHz cordless telephones by Electra Company.

3. A Memorandum Opinion and Order dealing with Reconsideration of Order regarding the Commission's decision that a two channel TV monitor used for computers and cable reception is not a TV receiver, and therefore not subject to the all-channel reception requirements, was issued by the Commission.

4. A bulletin entitled "Understanding the FCC Rules for Low Power Transmitters" (Part 15) was published (OST-63).

5. Test procedures (MP-8) for marine auto alarms regulated under Part 83 were issued by the Commission.

6. A Public Notice clarifying the Commission's action in Docket 80-739 (Implementation of the 79 WARC Final Acts) regarding emission designators was published.

7. In response to a request from Phonic Ear, the Commission issued an interpretation of the Rules to allow the company to operate a narrow band device on a wide band channel, and deleted the requirement for a change-over switch for narrow band devices.

8. A bulletin entitled "The FCC Equipment Authorization Program for Radio Frequency Devices" was prepared for publishing.

FY 1986 Objectives

1. Perform sample testing of radio frequency devices subject to equipment authorization, including testing of a sufficient number of notified and verified devices to ensure the viability of the equipment authorization program. Provide support for follow-up of marketing violations by sample testing equipment as required.

2. Process equipment authorizations as accurately and timely as possible, acting on 90% of applications within 60 days.

3. Promote the development and availability of new technology by updating and clarifying Parts 2, 15, and 18 of the Rules, and by relaxing or eliminating unnecessary regulations. Respond to petitions for rulemaking and process internally-generated Commission proceedings dealing with electromagnetic compatibility, in a timely manner.

4. Provide expertise to the Commission on technical standards. Represent the Commission by participating in national and international standards activities. Provide advice and assistance on technical standards and technology-oriented rules and regulations, as required, in order to minimize regulations, consistent with efficient and effective spectrum utilization.

5. Maintain and calibrate technical equipment for the laboratory facility and other Commission activities. Design, develop and construct unique equipment for Commission use as required.

SCIENCE AND TECHNOLOGY

FY 1987 Objectives

1. Perform sample testing of radio frequency devices subject to equipment authorization, including testing of a sufficient number of notified and verified devices to ensure the viability of the equipment authorization program. Provide support for follow-up of marketing violations by sample testing equipment as required.

2. Process equipment authorizations as accurately and timely as possible, acting on 90% of applications within 60 days.

3. Promote the development and availability of new technology by updating and clarifying Parts 2, 15, and 18 of the Rules, and by relaxing or eliminating unnecessary regulations. Respond to petitions for rulemaking and process internally-generated Commission proceedings dealing with electromagnetic compatibility, in a timely manner.

4. Provide expertise to the Commission on technical standards. Represent the Commission by participating in national and international standards activities. Provide advice and assistance on technical standards and technology-oriented rules and regulations, as required, in order to minimize regulations, consistent with efficient and effective spectrum utilization.

5. Maintain and calibrate technical equipment for the laboratory facility and other Commission activities. Design, develop and construct unique equipment for Commission use as required.

FY 1987 Justification

An additional $66,000 is requested in FY 1987 to improve the program's equipment authorization and sampling capabilities, and to replace aging and obsolete technical equipment at the Commission's Laboratory. This additional equipment will enable the Commission to promote the implementation of new technologies through increased efficiency in testing and evaluating equipment under the equipment authorization program. This equipment will also improve the efficiency and enhance the productivity of the limited laboratory staff.

An additional $26,000 is requested in FY 1987 to provide a new telephone system for the FCC Laboratory. The present system has deteriorated and is considered by AT&T to be outdated, and is no longer being manufactured or supported. This new system will improve the efficiency and enhance the productivity of a limited clerical staff.

SCIENCE AND TECHNOLOGY

An additional $18,000 is requested in FY 1987 to maintain the post-grant sampling program. The sampling program was instituted to enforce the Commission's technical standards, which are promulgated to minimize harmful interference to radio and TV reception, and to other licensed services. These additional funds will enable us to ensure that samples tested are representative of equipment being sold to the public. Additionally, based on the results of increased sample testing of equipment, the FCC may be able to further relax the equipment authorization rules.

SCIENCE AND TECHNOLOGY

EQUIPMENT AUTHORIZATION PROGRAM
AUTHORIZATIONS ISSUED AND ENFORCEMENT ACTIONS
VS.
WORK YEARS REQUIRED

	FY 1984 (Actual)	FY 1985* (Actual)	FY 1986 (Est.)	FY 1987 (Est.)
Equipment authorization applications received	9,919	8,082	9,000	10,000
Equipment authorization applications granted	8,691	7,587	8,300	9,200
Equipment authorization applications processed	9,876	8,050	9,000	10,000
Equipment sample units tested	518	385	400	400
Work years available: equipment authorization applications & testing	14.9	13.9	14.4	15.4
Equipment marketing violations processed	97	51**	80	80
Work years available: violations processed	0.2	0.5**	0.8	.8
Total work years	15.1	14.4	15.2	16.2
Speed of Service (days)	55	55	60	60

* In March, 1984, the equipment authorization program was restructured and applications for authorization of AM-FM, and TV receivers were no longer required. Therefore, the number of applications processed in FY 1984 is higher than subsequent annual figures.

** The differences between the number of violations processed per man year between FY 1984 and FY 1985 is caused by the additional, in-depth effort necessary to process marketing violations and to satisfy the legal requirements of prosecuting such violations. This effort necessitates additional testing and examination of equipment, preparation of multiple letters to the manufacturer as well as the internal effort to build and sustain the taking of enforcement action. This action stems from a reorganization in September 1984 for the equipment authorization program which established a post-grant sampling effort directed at production models to ensure continuing conformity with equipment as originally authorized.

SCIENCE AND TECHNOLOGY

5. TECHNOLOGY PLANNING

This program is responsible for keeping abreast of new technological developments and thus enhancing the ability of the FCC to meet its objectives. The program staff provides the Chief Scientist with information concerning current developments and trends in areas of Commission interest. The staff provides a reservoir of communications expertise that can interpret new technologies when presented to the Commission for action. Leadership is provided in areas of new technology so that FCC staff members may be aware of new developments prior to the introduction for FCC approval. The staff also conducts Commission-wide tutorials to provide prior interaction on newly emerging areas of technology that will demand Commission attention.

Personnel by Program:	1985 Act.		1986 Est.		1987 Est.		Change	
	Pos.	WY	Pos.	WY	Pos.	WY	Pos.	WY
Technology Planning.....	3	5	3	2	3	2	-	-

FY 1985 Objectives/Accomplishments

Objective: Respond to inquiries from the public, Congress and from within the Commission on technological developments, especially as they might affect on-going Commission proceedings. Continue to provide information to the public and report on items such as the possible hazardous effects of microwave and radiofrequency (RF) radiation from selected devices regulated by the Commission.

Accomplishment: The staff responded to over 125 phone calls, inquiries, and letters from the public and other agencies concerning RF radiation hazards and related issues. Many of these queries involved analysis of radiation from broadcast transmitters, radar, microwave transmitters, land mobile antennas. Program staff responded to over 180 requests from the public for technical information relating to communication policy and for FCC technical reports. The staff prepared and coordinated the development of the inter-agency agreement with the Environmental Protection Agency (EPA) to provide for analytical and measurement assistance to the FCC in relation to specific problems dealing with exposure to RF radiation. A staff member participated in the joint FCC/EPA measurement study of environmental RF radiation levels of broadcast facilities at Cougar Mountain, Washington, and microwave facilities in Ohio and New Jersey, and advised the staff and the public and worked on various problems related to RF radiation from broadcast facilities, microwave towers, cellular and land-mobile facilities in various parts of the country. A Public Notice on the development of a technical bulletin regarding evaluation of compliance with the new FCC rule amendment on RF radiation was prepared. A review of petitions filed for reconsideration of the Report and Order was begun, as well as a review of comments filed in the Further Notice of Proposed Rulemaking. A staff member served as contact point in the Commission for numerous requests for information on FCC action in this docket. Comments to the Further Notice of Proposed Rulemaking were reviewed and we began the preparation of a Report and Order. A technical bulletin on evaluation of compliance with the new rules on environmental impact was also published as OST Bulletin 65.

SCIENCE AND TECHNOLOGY

Objective: Continue to analyze existing and proposed FCC Rules and Regulations of areas in which the public is being denied access to services and in which the communications industry is inhibited from pursuing the benefits that technological advances yield. Advise the Commission and other Activities of the results of these studies.

Accomplishment: Initial laboratory tests as part of a long-term effort to experimentally verify the feasibility of equivalent interference concepts were completed. Tests of the interference effects of Amplitude Compandored Single Sideband (ACSB) on adjacent channel FM systems in the land mobile services were completed. A study of alternative technologies for the private land mobile services was conducted. A draft report on this study has been completed which discusses ACSB and Linear Predictive Coding (LPC) and the problems associated with narrowband technology. An Internal Technical Note entitled "A Concept of Equivalent Interference Applied to some Interference Data - ACSB to Land Mobile FM and Land Mobile FM to TV" was completed. The report also indicated areas in the band where cordless telephones could be authorized under practical assumptions concerning the potential TVI situations that might be involved. A study of alternative frequencies for cordless telephones was conducted and a report was prepared which discussed the frequency bands which are considered and an analysis of the most promising frequencies. Equivalent interference tests were made to validate relevant "alternative type acceptance" procedures described in an agenda item on technical flexibility in the mobile communications services. Staff members investigated alternative frequency bands for cordless phones, and performed follow-up work in this area resulting from initial study of the cordless phone problem.

Objective: Act as a focal point for National Security and Emergency Preparedness matters within the Commission, especially with regard to advanced communications technology. Advise the Commission and the Defense Commissioner on developments in the national security areas as they affect the Commission. Represent the Chairman or the Defense Commissioner on panels, working groups, or task forces which might have a bearing on the regulatory role of the Commission and its national security and emergency preparedness responsibilities.

Accomplishment: All National Security and Emergency Preparedness (NSEP) activities of the Commission were montitored. Staff members represented the Commission and affirmed continuing FCC regulatory policy for NSEP issues as a liaison representative at monthly meetings of the National Communications System (NCS). The staff prepared and represented regulatory positions as FCC liaison to the National Security Telecommunications Advisory Committee (NSTAC). Responses were reviewed and drafted on the Telecommunications Service Priority System, NCC Continuity of Operations Concept, and Standard Operating Procedures for Joint Telecommunications Resources Board. The staff prepared written speeches and articles on NSEP, and gave briefings on NSEP responsibilities of the FCC.

SCIENCE AND TECHNOLOGY

FY 1986 Objectives

1. Respond to inquiries from the public, Congress and from within the Commission on technological developments especially as they might affect ongoing Commission proceedings. Continue to provide information to the public and report on items such as the possible hazardous effects of microwave and radiofrequency radiation from selected devices regulated by the Commission.

2. Continue to analyze existing and proposed FCC Rules and Regulations of areas in which the public is being denied access to services and in which the communications industry is inhibited from pursuing the benefits that technological advances yield. Advise the Commission and bureau/offices of the results of these studies.

3. Act as a focal point for national security and emergency preparedness matters within the Commission, especially with regard to advanced communications technology. Advise the Commission and the Defense Commissioner on developments in the national security areas as they affect Commission proceedings. Represent the Chairman or the Defense Commissioner on panels, working groups, or task forces which might have a bearing on the regulatory role of the Commission and its national security and emergency preparedness responsibilities.

FY 1987 Objectives

1. Respond to inquiries from the public, Congress and from within the Commission on technological developments especially as they might affect ongoing Commission proceedings. Continue to provide information to the public and report on items such as the possible hazardous effects of microwave and radiofrequency radiation from selected devices regulated by the Commission.

2. Continue to analyze existing and proposed FCC Rules and Regulations of areas in which the public is being denied access to services and in which the communications industry is inhibited from pursuing the benefits that technological advances yield. Advise the Commission and bureau/offices of the results of these studies.

3. Act as a focal point for national security and emergency preparedness matters within the Commission, especially with regard to advanced communications technology. Advise the Commission and the Defense Commissioner on developments in the national security area as they affect Commission proceedings. Represent the Chairman or the Defense Commissioner on panels, working groups, or task forces which might have a bearing on the regulatory role of the Commission and its national security and emergency preparedness responsibilities.

SCIENCE AND TECHNOLOGY

FY 1987 Justification

$8,000 is requested in FY 1987 for a joint project with the Environmental Protection Agency (EPA) to study the environmental problems due to the emission of RF radiation. The Commission has certain legal responsibilities under the National Environmental Policy Act to evaluate the environmental effects of RF radiation emitted from FCC-regulated transmitters. However, the FCC lacks the necessary resources and expertise to evaluate specific RF environmental problems and must rely on outside sources for guidance in this area. Since the EPA is the acknowledged "expert" in this field in the Federal Government, the cost-effective means by which the Commission can meet its responsibilities in this area is by participating in this joint project. These resources in support of the project will enable the agency to improve its ability to evaluate problems related to radio frequency radiation hazards.

VII. SUPPORT

This section of the Commission's budget summarizes the resources required to provide basic support services for the Commission's main activities. Specific programs included in this Activity are: Legal Services; Plans and Policy; Congressional & Public Affairs; Financial Management; Management Services, including the Commission's Managment Planning and Program Evaluation effort; Administrative Services; Personnel Management and Emergency Communications.

Financial Requirements:	1985 Act.	1986 Est.	1987 Est.	Change
Personnel Compensation.......	$10,464	$11,447	$10,953	$-494
Personnel Benefits...........	1,166	1,322	1,270	-52
Benefits for Former Personnel..................	13	16	16	--
Other Obligations............	4,181	4,014	4,415	+401
TOTAL...........	$15,824	$16,799	$16,654	$-145

Personnel by Program:	1985 Act.		1986 Est.		1987 Est.		Change	
	Pos.	WY	Pos.	WY	Pos.	WY	Pos.	WY
1. Legal Services...........	4	48	45	44	45	44	--	--
2. Plans and Policy.........	18	16	18	18	18	17	--	-1
3. Congressional & Public Affairs................	27	25	27	29	27	28	--	-1
4. Financial Management.....	50	53	51	55	52	53	+1	-2
5. Management Services......	12	16	12	14	13	14	+1	--
6. Administrative Services..	92	105	90	102	90	96	--	-6
7. Personnel Management.....	42	55	44	55	44	50	--	-5
8. Emergency Communications.........	7	8	7	7	7	7	--	--
TOTAL	292	326	294	324	296	309	+2	-15

Personnel by Organization:	1985 Act.		1986 Est.		1987 Est.		Change	
	Pos.	WY	Pos.	WY	Pos.	WY	Pos.	WY
Office of General Counsel....................	42	47	44	43	44	43	--	--
Office of Plans and Policy......................	17	15	17	17	17	16	--	-1
Congressional & Public Affairs.....................	27	25	27	29	27	28	--	-1
Office of Managing Director....................	172	201	172	199	173	185	+1	-14
Information Management.......	33	37	33	35	34	36	+1	+1
Dockets......................	1	1	1	1	1	1	--	--
TOTAL..........	292	326	294	324	296	309	+2	-15

Activity Objectives

1. Ensure that FCC systems for management direction and control facilitate the accomplishment of the Commission's five basic objectives, enhance the

regulatory effectiveness of the FCC and improve the utilization of resources.

2. Strengthen financial management activities throughout the agency and assist in making the most effective use of appropriated resources for accomplishing established goals and objectives. Ensure that the expenditure of appropriated funds is consistent with Commission objectives and priorities and that proper accountability is maintained.

3. Effectively utilize the Commission's information management systems and resources to (1) increase efficiency and productivity, (2) reduce the regulatory burden to the public, and (3) provide FCC staff and public with expeditious management and information processing services.

4. Provide responsive and efficient administrative support to Commission Bureaus/Offices in administrative services and in the conduct of Commission meetings and docketed proceedings, the dissemination and publication of Commission objectives.

5. Strengthen personnel management activities throughout the agency and assist managers in improving the utilization of Commission's human resources in accomplishing their goals and objectives. Ensure that FCC employees are properly recognized and rewarded for their contributions to the achievement of Commission objectives.

6. Ensure that emergency communications and preparedness functions performed by the FCC contribute to efficient and effective mobilization of wire and radio communications in times of emergency.

7. Ensure that Commission programs for personnel security, physical security, internal audit, financial disclosure, review and inspection, Freedom of Information Act, and inquiry into prohibited ex parte matters are responsive to the needs of Commission management and in full compliance with applicable laws and regulations.

8. Encourage small business and minority participation in the telecommunications industry as unnecessary regulations are removed and the telecommunications marketplace opens further to these entrants.

9. Perform short and long term policy planning for the Commission, review major policy items from other activities to ensure they increase competition in the telecommunications industry, remove barriers to entry and encourage spectrum efficiency, and provide oversight and management of the Commission's policy research program.

10. Develop cogent legal defense of any Commission deregulation action which is challenged in court; provide cogent and expeditious advice and assistance to Commission officials on matters affecting internal operations of the FCC; and review all policy and rulemaking proposals submitted to the General Counsel.

SUPPORT

1. LEGAL SERVICES

This program covers the legal services provided by the Office of General Counsel to the Commissioners and the Commission's Bureaus and Offices. The General Counsel is the chief legal officer of the Commission. He is responsible for keeping the Commission advised about the legality of its actions, both rulemakings and adjudications, and their conformity with the Constitution, applicable statutes, treaties and rules. In addition, the General Counsel represents the Commission in all matters of litigation in the appellate courts and assists the Department of Justice in representing the Commission in all litigation in District Courts involving the Commission. The writing of legal opinions for the Commission is also a responsibility of the Office of General Counsel. See the Enforcement and Hearing Program in the Mass Media Activity, the Land Mobile Services Program of the Private Radio Activity, and the Rate and Service Regulation Program in the Common Carrier Activity for further explanation of this program.

Personnel by Program:	1985 Act.		1986 Est.		1987 Est.		Change	
	Pos.	WY	Pos.	WY	Pos.	WY	Pos.	WY
Legal Services..................	44	48	45	44	45	44	--	--

FY 1985 Objectives/Accomplishments

Objective: Review for legal sufficiency all proposals submitted for Commission consideration and action.
Accomplishment: In FY 1985 the Legal Services Program reviewed 747 agenda proposals which came before the Commission for consideration.

Objective: Represent the Commission in all matters affecting the internal operations of the agency.
Accomplishment: The Legal Services Program responded to 12 appeals for denials of Freedom of Information Act (FOIA) and confidentiality requests in FY 1985. During this same period, the Program responded to 28 initial FOIA requests for which it was responsible. The Legal Services Program also handled 19 employee tort claims; participated in four personnel cases; prepared and implemented seven rulemaking proceedings; provided 95 legal interpretations of various statutes directly or indirectly affecting the Commission; and provided legal advice and guidance on 308 other matters coming before the agency. Moreover, the Program responded to 37 Congressional inquiries and 91 general inquiries. The Program also reviewed several legislative proposals submitted for agency consideration. These proposals related to such issues as independent litigating authority, antitrust enforcement, forfeitures and dial-a-porn.

Objective: Defend Commission actions when challenged in the courts.
Accomplishment: The Legal Services Program participated in 320 appellate cases and 17 Supreme Court cases in FY 1985. The Commission was affirmed in 32 cases, affirmed in part/remanded or vacated in part in four cases, reversed or remanded in two cases, vacated and remanded in three cases, vacated in one

case and remanded in two cases. Also, 131 cases were dismissed or consolidated and certiorari was denied in ten cases and granted in four cases. The Program also participated in 76 District Court cases. At the end of FY 1985, 199 cases were pending compared to 149 cases pending at the start of FY 1985.

FY 1986 Objectives

1. Review for legal sufficiency all proposals submitted for Commission consideration and action.

2. Represent the Commission in all matters affecting the internal operations of the agency.

3. Defend Commission actions when challenged in the courts.

FY 1987 Objectives

1. Review for legal sufficiency all proposals submitted for Commission consideration and action.

2. Represent the Commission in all matters affecting the internal operations of the agency.

3. Defend Commission actions when challenged in the courts.

Justification

The overall efficiency of the program would be greatly improved by the implementation of an automated case tracking system. The system, which would cost $10,000 for the software, would enable the Legal Services Program to maintain efficient records concerning the Commission's rapidly increasing litigation caseload, enhance quick and efficient retrieval of information concerning pending and closed cases, decrease case backlog, and provide current status and reference data on all project activities.

SUPPORT

2. PLANS AND POLICY

The Plans and Policy program provides the Commission with current, independent and objective analyses and recommendations on major communications policy matters. Research and analyses are performed to ascertain and clarify the various regulatory roles the FCC should assume. Different policy options are formulated and considered; and the short and long range impacts of proposed policy choices are scrutinized to promote the optimum public benefit. The program has responsibility for managing the Commission's policy research budget and overseeing the various temporary interdisciplinary and interbureau task forces that the Commission establishes from time to time.

Personnel by Program:	1985 Act.		1986 Est.		1987 Est.		Change	
	Pos.	WY	Pos.	WY	Pos.	WY	Pos.	WY
Plans and Policy..................	18	16	18	18	18	17	--	-1

FY 1985 Objectives/Accomplishments

Objective: Perform short and long term policy planning for the Commission. Encourage unregulated, pro-competitive policies in the Commission's administrative proceedings. Systematically review Commission rules, policies and procedures to identify those that may be deleted or reduced in scope to achieve technical, economic or operational efficiency and greater reliance upon market forces.
Accomplishment: This objective was accomplished in a number of areas. The following working papers and memoranda were prepared on major policy issues and released to the public upon request: "Promoting Competition Piecemeal in International Communications"; "Implications of Asymmetric Regulation for Competition Policy Analysis"; "Spectrum Management Policy in the United States: An Historical Account"; "Using Auctions to Select FCC Licensees"; and "Regulatory Underbrush - Elimination of Unnecessary Broadcast Regulation." Prepared a legislative proposal to give the FCC statutory authority to use auctions to select licensees. Contributed to the Report and Order amending Section 73.3555, Commission's Rule Relating to Multiple Ownership of AM-FM and Television Broadcast Stations (7-7-7).

Objective: Review major policy items from other Bureaus to ensure they increase competition in the telecommunications industry, remove barriers to entry, and encourage spectrum efficiency in both an engineering and economic sense, both during staff preparation and after submission to the Commission. Provide economic, technical and legal input as needed in writing those items or responding by associate item.
Accomplishment: This objective was met by reviewing major policy agenda items prepared in other Bureaus and Offices to ensure increased competition in the telecommunications industry, removal of barriers to entry, and increased spectrum efficiency in an economic sense. Among major items reviewed were: Special Access Order; Message Telephone Service Guidelines; Private Microwave Resale; AT&T Private Line Tariff and Appendix; TV-Stereo Must-Carry; Hostile

SUPPORT

Takeovers and Junk Bond Financing; Implementation of Cable Communications Policy Act of 1984; Direct Assignment of WATS Closed Ends; Digital Electronic Message Units (DEMS); Common Carrier Bypass Report; Establishing a Market in AM Broadcast Interference Rights; Alternative Proposals for Instructional Television Fixed Service; Asynchronous/X.25 Protocol Conversion Waivers; Avionics Receiver Research and Alternative Proposals for Instructional Television Fixed Service. The Chief, Office of Plans and Policy continued to be present at all Commission meetings as the economic policy advisor to the Commission.

Objective: Carry out specific interdisciplinary studies for the Commission with in-house resources.

Accomplishment: Various interdisciplinary studies involving 900 MHz Allocation; Allocating Nighttime Operation on Foreign Clear Channels; Future Public Safety Telecommunications Requirements and Mobile Satellite Service were carried out by the office.

Objective: Provide oversight and management of the Commission's policy research program to ensure its use to support Commission objectives. At the request of Congress the Office of Plans and Policy will continue to oversee funding for a low latitude wave propagation study.

Accomplishment: Budgetary constraints have led to a greatly diminished policy research program. A research contract with the University of Alaska was extended to cover FY 1985. This contract is for the Alaskan and Kingsville, Texas (AM) Skywave measurement programs testing strength of Standard Broadcast (AM) transmissions at high and low latitude.

FY 1986 Objectives

1. Perform long and short term policy planning for the Commission. Encourage unregulated, pro-competitive policies in the Commission's administrative proceedings. Systematically review Commission rules, policies and procedures to identify those that may be deleted or reduced in scope to achieve technical, economic or operational efficiency and greater reliance upon market forces.

2. Review major policy items from other Bureaus to ensure they increase competition in the telecommunications industry, remove barriers to entry, and encourage spectrum efficiency in an engineering and economic sense, both during staff preparation and after submission to the Commission. Also, provide economic, technical and legal input as needed in writing those items or responding by associate item.

3. Carry out specific inter-disciplinary studies for the Commission with in-house resources.

4. Provide oversight and management of the Commission's policy research program to ensure its use to support Commission objectives.

SUPPORT

FY 1987 Objectives

1. Perform long and short term policy planning for the Commission. Encourage unregulated, pro-competitive policies in the Commission's administrative proceedings. Systematically review Commission rules, policies and procedures to identify those that may be deleted or reduced in scope to achieve technical economic or operational efficiency and greater reliance upon market forces.

2. Review major policy items from other Bureaus to ensure they increase competition in the telecommunications industry, remove barriers to entry, and encourage spectrum efficiency in an engineering and economic sense, both during staff preparation and after submission to the Commission. Also, provide economic, technical and legal input as needed in writing those items or responding by associate item.

3. Carry out specific interdisciplinary studies for the Commission with in-house resources.

4. Provide oversight and management of the Commission's remaining policy research program to ensure its use to support Commission objectives.

SUPPORT

3. CONGRESSIONAL AND PUBLIC AFFAIRS

During the first quarter of fiscal year 1985, the Public Affairs program was reorganized. The new Congressional and Public Affairs program has primary responsibility for the Commission's News Media, Consumer Assistance and Small Business, and Legislative Affairs subprograms. The major purpose of this program is to inform the public and the press of the Commission's regulatory requirements, to encourage and facilitate public participation in the Commission's decision making processes, to apprise the public of Commission policies promoting minority participation in telecommunications, and to implement the Commission's legislative affairs program in the telecommunications industry.

Personnel by Program	1985 Act.		1986 Est.		1987 Est.		Change	
	Pos.	WY	Pos.	WY	Pos.	WY	Pos.	WY
Congressional and Public Affairs...	27	25	27	29	27	28	—	-1

FY 1985 Objectives/Accomplishments

Objective: Conduct quarterly seminars and information discussions to assist in informing the public and potential entrepreneurs of opportunities in telecommunications and of major FCC rulemakings and procedures; schedule press briefings with appropriate FCC staff on technical and complex proceedings.

Accomplishment: Six seminars and/or informal discussions on areas of interest to potential telecommunications entrepreneurs were conducted. Also two major activities during National Consumers' Week were devoted to topics of interest to minority entrepreneurs. These activities included a workshop on the changes since divestiture, and a workshop updating various other telecommunications policies, including FM Drop-ins. Office members participated as panelists, moderators or speakers at 12 telecommunications forums, major meetings and conferences. The office also conducted 13 student briefings and a major rulemaking clinic designed to assist students in understanding our rulemaking process. Approximately 85 press briefings were arranged by the office following Commission action on issues such as implementation of subscriber line charges and allocation of long distance carrier procedures.

Objective: Respond within 10 days to a variety of written, telephone or walk-in requests for information or assistance from individual consumers and organizations, licensees, small businesses and entrepreneurs. Respond to news media inquiries within 24 hours. Coordinate Commissioners and all activities dealing with the news media and public interest groups.

Accomplishment: The office responded to a total of 6,281 written inquiries within a five-day turnaround time and answered 53,089 general telephone inquiries within one day. In addition, 1,875 Congressional inquiries were responded to within one day of receipt. This includes 63 written and 1,812 telephone responses. All news media inquiries were handled within 24 hours, with the majority of inquiries handled within two to four hours of receipt. Print and electronic media interviews were coordinated with appropriate Bureau/Office officials.

Objective: Prepare and distribute notices of Commission actions with three-day turnaround time once daily. Issue "Daily Digest" summarizing announcements of FCC actions and indexing documents and reports issued that day. Maintain accurate records of official Commission actions.
Accomplishment: Of the 1,076 news releases prepared by the Congressional and Public Affairs program, 98% were issued within one day and all were issued within three days. A total of 6,120 releases, public notices and documents were distributed through the office -- 3,852 were news releases and public notices and 2,268 were documents and reports. The Daily Digest was published every work day. Books and files containing a copy of every FCC news release, public notice and document released by the Commission through OCPA were updated daily and maintained in the office. A computerized retrieval system was implemented for tracking releases.

Objective: Publish the FCC Annual Report within 12 months from the close of the fiscal year. Continue the internal clipping service.
Accomplishment: The 1984 Annual Report was published in July 1985, within 10 months of the close of the fiscal year. Eight daily newspapers and a host of magazines and periodicals were read for telecommunications articles for the Commission's daily internal clipping service. A computerized index of clippings was maintained.

Objective: Disseminate information pertaining to major Commission rulemakings and procedures to Consumer Assistance and Small Business core groups concerned with telecommunications services, consumers, public interest groups, small businesses and other organizations.
Accomplishment: Information pertaining to four major Commission proceedings -- Docket 80-90 (FM Allocations), cellular radio warnings regarding possible misrepresentations by private companies, the Fairness Doctrine, and universal window filing opportunities -- was disseminated to major newspapers, consumer groups, small businesses, and entrepreneurs. Special mailings were made to a core group listing of interested consumer group representatives. In addition, an update of the Minority Buyer's Listing was mailed to major brokerage firms. Specialized mailings were sent to regional and local press in instances of Commission's desire to increase public awareness of newly created telecommunications opportunities.

Objective: Encourage and assist minority participation in telecommunications ventures.
Accomplishment: Participated in five seminars outside the FCC for the purpose of encouraging continued interest in telecommunications. In addition, attended several meetings and responded to inquiries about telecommunications ownership opportunities. Planned and conducted/participated in three seminars (Dallas, San Diego and Miami) during FY 1985 to encourage and promote minority ownership of telecommunications ventures. Distributed public notices and press releases to minority press. Arranged

SUPPORT

meetings between minority entrepreneurs and FCC staff to discuss Commission procedures and ownership opportunities. Provided counseling to minority entrepreneurs to explain FCC policies and procedures. Published an application planning guide relative to ownership of new FM broadcast stations. Worked with the White House Office of Private Sector Initiatives to develop a program to encourage minority ownership of telecommunications. Maintained and distributed information regarding FCC policy, sources of financing and tax bibliography. Responded within 24 hours to telephone calls and oral requests for information and within five working days to written inquiries regarding the FCC's minority enterprise policies and program.

Objective: Plan, develop and coordinate the Commission's legislative program.

Accomplishment: Drafted and assisted in the preparation of testimony for 13 Congressional hearings where Commission personnel appeared and submitted comments to Congress or OMB on various pieces of legislation. Also monitored 11 additional hearings during the fiscal year. Subjects, in addition to budget and authorization matters, included alcohol and drug abuse (beer and wine advertising), international trade and broadcasting, extended daylight savings time, access charges, takeovers of media, pornography, illegal use of computers, Congressional reports elimination, lifeline telecommunications and hearing aid equipped phone instruments. The Cable Franchise Policy and Communications Act of 1984 was signed into law; those provisions that need implementation by the Commission are being considered. A suggested legislative package recommending proposals for legislative action was prepared. Continual liaison with Congressional members and staffs was maintained.

FY 1986 Objectives

1. Conduct quarterly seminars and information discussions to assist in informing the public and potential entrepreneurs of opportunities in telecommunications. Disseminate information pertaining to major Commission rulemakings and procedures to core public interest groups and minority entrepreneurs; schedule press briefings with appropriate FCC staff on technical and complex proceedings; encourage and assist minority participation in the ownership of telecommunications ventures.

2. Respond within 10 days to a variety of written, telephone or walk-in requests for information or assistance from individual consumers and organizations, licensees, small businesses and entrepreneurs. Respond to Congressional and news media inquiries within 24 hours. Coordinate Commissioners and all activities dealing with the news media and with public interest groups.

3. Prepare and distribute notices of Commission actions with three-day turnaround time once daily. Issue "Daily Digest" summarizing announcements of FCC actions and indexing documents and reports issued that day. Maintain accurate records of official Commission actions.

SUPPORT

4. Publish the FCC Annual Report within 12 months from the close of the fiscal year. Continue the internal clipping service.

5. Plan, develop and coordinate the Commission's legislative affairs program.

FY 1987 Objectives

1. Conduct quarterly seminars and information discussions to assist in informing the public and potential entrepreneurs of opportunities in telecommunications. Disseminate information pertaining to major Commission rulemakings and procedures to core public interest groups and minority entrepreneurs; schedule press briefings with appropriate FCC staff on technical and complex proceedings; encourage and assist minority participation in the ownership of telecommunications ventures.

2. Respond within 10 days to a variety of written, telephone or walk-in requests for information or assistance from individual consumers and organizations, licensees, small businesses and entrepreneurs. Respond to Congressional and news media inquiries within 24 hours. Coordinate Commissioners and all activities dealing with the news media and with public interest groups.

3. Prepare and distribute notices of Commission actions with three-day turnaround time once daily. Issue "Daily Digest" summarizing announcements of FCC actions and indexing documents and reports issued that day. Maintain accurate records of official Commission actions.

4. Publish the FCC Annual Report within 12 months from the close of the fiscal year. Continue the internal clipping service.

5. Plan, develop and coordinate the Commission's legislative affairs program.

SUPPORT

4. FINANCIAL MANAGEMENT

The Financial Management program is responsible for identifying, evaluating and managing the resource requirements of the Commission, including the functions of budget formulation and execution, fiscal accounting, payroll, fee, and forfeiture collection. This program is also responsible for processing international telecommunications accounting settlements to foreign administrations.

Personnel by Program:	1985 Act.		1986 Est.		1987 Est.		Change	
	Pos.	WY	Pos.	WY	Pos.	WY	Pos.	WY
Financial Management......	50	53	51	55	52	53	+1	-2

FY 1985 Objectives/Accomplishments

Objective: Prepare Commission budget estimates and related documents in a timely and complete manner. Ensure that appropriated funds are effectively utilized in achieving the Commission's objectives in a manner which is in full compliance with applicable laws and regulations. Initiate reprogramming actions as necessary and notify Congress of actions requiring its review. Ensure that expenditures do not exceed appropriated funds or other limitations.

Accomplishment: All target dates for submission of budget estimates and related documents were met. All appropriated funds were effectively utilized in achieving the Commission's objectives and were in compliance with applicable laws and regulations. Reprogramming actions have been initiated and Congress notified when review was required. Expenditures did not exceed appropriated funds or other limitations.

Objective: Process financial documents and prepare reports in a timely and accurate manner. Ensure timely and accurate distribution of paychecks and other payments.

Accomplishment: More than 99% of all financial documents were processed on time, accurately and within established processing standards. In excess of 99% of all payments were processed and distributed on time.

Objective: Ensure that the provisions of the Prompt Payment Act are met so that a maximum number of discounts are realized and minimum number of interest payments are made.

Accomplishment: All invoices were processed in accordance with the provisions of the Prompt Payment Act. Cash Management procedures were adhered to with $35,016.39 in discounts realized as of September 30, 1985. No interest payments were incurred.

Objective: Develop and implement plans to improve financial management policies, programs and procedures.

Accomplishment: An accounts receivable tracking system was developed and implemented to improve collection, to provide more useful management information and to account for all outstanding debts. ADP equipment and General Ledger/Accounts Payable/Accounts Receivable software systems have been selected for implementation during FY 1986. Phase I of the integrated personnel/payroll system requirements study was completed.

Other Accomplishment

1. On July 24, 1985 the Commission approved the termination of the Fee Refund Program which began in June 1979.

FY 1986 Objectives

1. Prepare Commission budget estimates and related documents in a timely and complete manner. Ensure that appropriated funds are effectively utilized in achieving the Commission's objectives in a manner which is in full compliance with applicable laws and regulations. Initiate reprogramming actions as necessary and notify Congress of actions requiring its review. Ensure that expenditures do not exceed appropriated funds or other limitations.

2. Process financial documents and prepare reports in a timely and accurate manner. Ensure timely and accurate distribution of paychecks and other payments.

3. Improve financial management policies, programs and procedures.

FY 1987 Objectives

1. Prepare Commission budget estimates and related documents in a timely and complete manner. Ensure that appropriate funds are effectively utilized in achieving the Commission's objectives in a manner which is in full compliance with applicable laws and regulations. Initiate reprogramming actions as necessary and notify Congress of actions requiring its review. Ensure that expenditures do not exceed appropriated funds or other limitations.

2. Process financial documents and prepare reports in a timely and accurate manner. Ensure timely and accurate distribution of paychecks and other payments to FCC employees.

3. Improve financial management policies, programs and procedures.

Justification

An additional accounting technician is requested so that the Commission can develop and implement a debt collection system required by the Budget and Accounting Act (31 U.S.C. 3512) and the Debt Collection Act (P.L. 97-365).

SUPPORT

Failure to provide this position will result in inaccurate and incomplete agency accounting records; inaccurate financial reports to the U.S. Treasury and OMB; and loss of receipts, interest and untimely collection of money due the government.

The additional workload imposed by the Debt Collection Act cannot be absorbed by existing staff. In addition, the Financial Management Program is scheduled to begin automation of its many manual accounting systems. Current staffing does not allow any additional diversion of staff resources to implement the mandatory debt collection program.

SUPPORT

5. MANAGEMENT SERVICES

The Management Services program includes the administration of the agency's Management-by-Objectives (MBO), program evaluation and management analysis functions under the Immediate Office of the Managing Director; and the records management, forms management, micrographics and paperwork reduction functions of the Information Resources Planning Division. The Management Planning and Program Evaluation Office (MPPEO) is responsible for planning and administering the Commission's MBO and program evaluation systems to ensure that all agency objectives, priorities and action plans are consistent with the FCC's mission and that results of evaluation studies are utilized in the Commission's decision making and priority setting process. The MPPEO is also responsible for planning and administering Commission activities for organizational analysis, internal controls in accordance with OMB Circular A-123, operations analysis, productivity improvement, and advisory committee management. In addition, the MPPEO directs the Commission's regulatory review program to ensure that appropriate action is taken on all rules that can be eliminated or modified to lessen their burden on the public. The Information Resources Planning Division (IRPD) administers the Commission's records control program through the development and application of records schedules, processes requests under the Freedom of Information and Privacy Acts, and manages the FCC's correspondence and directives program. The IRPD provides guidance to the agency for forms design, content and composition and ensures compliance with applicable laws and regulations regarding forms. IRPD oversees the procurement of all agency ADP hardware and software as well as overseeing associated ADP contractual matters. Finally, the IRPD plans and administers activities mandated by the Paperwork Reduction Act of 1980 as well as activities required to implement micrographics capabilities at the Commission.

Personnel By Program:	1985 Act. Pos.	1985 Act. WY	1986 Est. Pos.	1986 Est. WY	1987 Est. Pos.	1987 Est. WY	Change Pos.	Change WY
Management Services.....	12	16	12	14	13	14	+1	--

FY 1985 Objectives/Accomplishments

Objective: Administer an agency-wide Management-by-Objectives (MBO) system that involves conducting quarterly reviews.

Accomplishment: A new MBO format was implemented that has greatly reduced the paperwork burden on bureaus and offices. New MBO models for the Adjudication and Enforcement programs were implemented to further reduce reporting requirements and provide for more standardized reporting. Quarterly accomplishment reviews were conducted by the Chairman, the Managing Director and the Bureau and Office Chiefs to insure that organizational objectives, action plans and priorities are consistent with all Commission objectives.

Objective: Administer a continuing Program Evaluation System that conducts ten program evaluations. Administer a management assistance program that conducts approximately ten management assistance projects for the Chairman and Managing Director.

Accomplishment: Eight program evaluations: (1) Information Resources Management; (2) Review of Lottery Legislation/Operations; (3) Report of Broadcast International Conference; (4) International Reorganization; (5) Merger of FCC Annual Reports; (6) Evaluation of Informal Complaints Branch; (7) Migration Task Force; and (8) Library Study were conducted during the fiscal year. During the year considerable emphasis was placed on providing management assistance to the Chairman and the Managing Director. One hundred and thirty five management assistance projects were conducted during the year.

Objective: Prepare an annual report to Congress on FCC goals, objectives and priorities as specified in the Omnibus Reconciliation Act of 1981. Prepare annual "State of the FCC" outlining major accomplishments.

Accomplishment: Both the annual report to Congress on FCC goals, objectives and priorities and the "State of the FCC", which outlines major accomplishments, were completed and distributed on schedule.

Objective: Prepare and publish semi-annual Unified Agenda of Federal Regulations and Regulatory Flexibility Act Reports for the FCC in accordance with Executive Order 12291 and the Act.

Accomplishment: Both the Unified Agenda and information required under the Regulatory Flexibility Act were compiled and submitted to the Office of Management and Budget by established deadlines.

Objective: Carry out the FY 1985 Vulnerability Assessment Review and provide necessary certification letters to the President and Congress.

Accomplishment: The FY 1985 Vulnerability Assessment Reviews were completed and the necessary certification letters were provided to the President and Congress as required.

Objective: Provide timely, quality and useful forms management and paperwork reduction services to the Commission to provide the information needed to effectively manage agency programs while minimizing burden on the public.

Accomplishment: All routine and non-routine form requests were processed in a timely fashion. All Paperwork Reduction Act program target dates were met. Information Collection Budget reports were completed and submitted to OMB on or ahead of schedule. During FY 1985 the Commission eliminated over three million burden hours, exceeding the goal established in the FY 1985 Information Collection Budget. The Commission's net burden hour reduction for FY 1985 was 17%.

Objective: Administer the Commission's records management program to assure compliance with Federal regulations.

Accomplishment: All records control schedules have been completed on or ahead of established target dates. All requests for routine recall of records from Federal Records Centers were completed in a timely fashion. All routine and non-routine directives submitted for review were processed on or ahead of schedule. All requests for records transfer to the Federal Records Center were processed in a timely fashion.

SUPPORT

Other Accomplishments

1. The Master Frequency File was successfully implemented on a Commission-wide basis in April. This project involved writing more than 185 computer programs and represents the single largest applications software development effort undertaken by the FCC.

2. The second phase in the installation of the Local Area Network was successfully completed providing a total of 244 ports to 168 users. The LAN provides users with access to all the micro, mini and mainframe computers located at the Commission's headquarters location.

3. The upgrade of the Honeywell mainframe computer was completed on schedule. Installation of this hardware has provided a 100% increase in memory and a 90% increase in processing capability.

4. The distributed office automation network was expanded and now includes 35 microcomputers and 225 terminals. Extensive training has been conducted on word processing, spreadsheet programs and a number of specialized software packages.

Workload for FY 1985	Projected	Actual
Program Evaluations	10	8
Management/Organizational Projects.....	16	135
Major Reports Prepared	6	7
Directives Processed..................	30	33
Records Control Schedules Completed....	3	5
Routine Records Recalled.........	2,200	865
Privacy Act/FOIA Recall Requests.......	135	478
Administrative Procedures Developed....	12	0 1/
Complex FOIA/Privacy Act Requests......	20	0

FY 1986 Objectives

1. Administer an agency-wide Management-by-Objectives (MBO) system that provides the Commission with the management information it needs, in a timely manner, to effectively manage its programs and efficiently utilize allocated resources.

2. Administer a continuing Program Evaluation System to systematically review the accomplishments and effectiveness of programs and activities and identify changes in programs, and organizations that reduce cost to improve effectiveness.

1/ The responsibility for developing agency-wide directives was transferred from the Information Resources Planning Division to the Management Planning and Program Evaluation Office. This workload figure is now reported under the category of management/organizational projects.

SUPPORT

3. Prepare an annual report to Congress on FCC goals, objectives and priorities as specified in the Omnibus Reconciliation Act of 1981. Prepare annual "State of the FCC" outlining major accomplishments.

4. Prepare and publish semi-annual Unified Agenda of Federal Regulations and Regulatory Flexibility Act Reports for the FCC in accordance with Executive Order 12291 and the Act.

5. Provide timely, quality and useful forms management and paperwork reduction services to the Commission to provide the information needed to effectively manage agency programs while minimizing burden on the public.

6. Administer the Commission's records management program to assure compliance with Federal regulations and provide timely service to FCC staff and the public.

Workload Projections for FY 1986

Program Evaluations	10
Management/Organizational Projects	75
Major Reports Prepared	6
Directives Processed	25
Records Control Schedules Completed	2
Routine Records Recalled	800
Privacy Act/FOIA Recall Requests	400
Complex FOIA/Privacy Act Requests	2

FY 1987 Objectives

1. Administer an agency-wide Management-by-Objectives (MBO) system that provides the Commission with the management information it needs, in a timely manner, to effectively manage its programs and efficiently utilize allocated resources.

2. Administer a continuing Program Evaluation System to systematically review the accomplishments and effectiveness of programs and activities and identify changes in programs, and organizations that reduce cost to improve effectiveness.

3. Prepare an annual report to Congress on FCC Goals, Objectives and Priorities as specified in the Omnibus Reconciliation Act of 1981. Prepare annual "State of the FCC" outlining major accomplishments.

4. Prepare and publish semi-annual Unified Agenda of Federal Regulations and Regulatory Flexibility Act Reports for the FCC in accordance with Executive Order 12291 and the Act.

5. Provide timely, quality and useful forms management and paperwork reduction services to the Commission to provide the information needed to effectively manage agency programs while minimizing burden on the public.

SUPPORT

6. Administer the Commission's records management program to assure compliance with Federal regulations and provide timely service to FCC staff and the public.

7. Initiate a Commission-wide document image processing program to reduce required storage space and improve access to files and records needed by FCC staff and the public.

Workload Projections for FY 1987

Program Evaluations	10
Management/Organizational Projects	50
Major Reports Prepared	6
Directives Processed	30
Records Control Schedules Completed	3
Routine Records Recalled	900
Privacy Act/FOIA Recall Requests	500
Complex FOIA/Privacy Act Requests	5

Justification

By Fiscal Year 1987, the FCC is scheduled to have as many as five minicomputers, 50 microcomputers and the Honeywell mainframe which all require hardware and software maintenance.

In addition to acquiring a significant number of computers, the agency also began the installation of a Local Area Network (LAN) in FY 1985, which provides users with access to all micro, mini and mainframe computers. In FY 1985 340 ports were connected to the LAN with additional ports scheduled for installation in FY 1986.

Currently, all hardware and software support is being provided by one computer specialist. To ensure the effective operation of this network and to support other hardware and software acquisitions, an additional position is requested to recruit an additional computer specialist.

Two hundred fifty thousand dollars is requested for contractual programming assistance to develop new automated systems and to maintain all current automated systems.

For the past four years, the Commission has been unsuccessful in obtaining approval to hire additional personnel to develop and administer the agency's automated processing systems. This inability to recruit additional personnel and the high turnover rate in existing staff have created serious backlogs in many of the most significant systems development projects. Systems initially scheduled to be developed in FY 1986 have had to be deferred to FY 1987 and beyond.

SUPPORT

In FY 1987, more than twenty workyears of ADP support for new developments/modifications/enhancements has been identified within the Commission as critical. The increase in workload will permit only the most significant of these systems to be developed. Staff resources devoted to maintenance of the major licensing and housekeeping systems cannot be diverted to development work without risking serious delays in processing time and system breakdowns.

The funds requested will underwrite approximately five workyears of contractual support. Contractor personnel will be utilized to perform computer program coding in higher level language. System design work will continue to be performed by agency personnel to preserve system continuity.

The increase in the number of paper files combined with significant reductions in office space, necessitates the implementation of a document image processing system as a means of record storage at the FCC. One hundred seventy-five thousand dollars is requested to implement the first phase of a system which will convert hard copy files in the Dockets and Mass Media Bureau Reference Room to storage on disks.

The Commission's paper files and records occupy a significant amount of office space, more than 20% of the Commission's Branch total square footage. In the Dockets Branch and public reference rooms backlogs have increased, incomplete files are prevalent, and misfilings have become routine. A document image processing system would electronically capture, store, retrieve and display images of paper documents utilizing optical disk storage and high-speed input and output devices. This system will reduce labor costs, minimize the use of prime office space for document storage, improve file integrity by providing access to files other than original documents, and eliminate costs associated with correcting misfiled documents and recompiling lost materials. Work-stations will be available for staff and the public to perform document searches and retrievals, substantially reducing time required for these functions. Also, hard copies will be available via laser printers.

Optical disk storage of records is quickly becoming the state-of-the-art method for converting cumbersome paper files both for private industry and the government. The National Archives Records Administration is currently sponsoring a pilot project to evaluate its use with archival records. The Internal Revenue Service, the Social Security Administration and the Library of Congress are among those agencies that already have systems in use. Many smaller agencies, similar in size to the FCC, have implemented or are about to implement these systems.

Most of the required equipment will be acquired on a lease-to-purchase basis in order to keep initial costs reasonable. Savings in personnel costs, space, and filing supplies during the first five years of operation are estimated to total over $730,000 in the Dockets Branch alone. Without this system, the problems cited above will worsen as additional documents are received for filing and storage while the Commission continues to operate under an inefficient, inaccurate, and costly manual system.

SUPPORT

6. ADMINISTRATIVE SERVICES

The Administrative Services program is responsible for planning, organizing, implementing and administering Commission programs for: office space management and utilization; building operations and maintenance; internal telecommunications; automotive transportation; property management; requisition and maintenance of office supplies, equipment, research studies, graphic design and conference support. It also responsible for receipt of public filings, for processing agenda material for Commission meetings in accordance with the Sunshine Act, for maintenance of rule making and adjudicatory pleadings, and of official records of actions taken by the Commission; for ensuring publication of documents in the Federal Register and FCC Reports; for managing the Commission's lottery program; for operating automated rules, dockets, and citation systems; and for providing reference services to FCC staff and to the public.

Personnel by Program:	1985 Act.		1986 Est.		1987 Est.		Change	
	Pos.	WY	Pos.	WY	Pos.	WY	Pos.	WY
Administrative Services.......	92	105	90	102	90	96	--	-6

FY 1985 Objectives/Accomplishments

Objective: Expeditiously and accurately process all requests for administrative support and services. Reduce administrative support costs by developing procedures to forecast, prioritize and allocate resources to best meet agency requirements.

Accomplishment: All requests for administrative services were processed on time and accurately. Additional enhancements were made to the program's automated financial control system to provide more accurate forecasting of all agency administrative expenditures. Further, in an effort to reduce administrative costs, an extensive program of verification of telecommunications costs was developed, including a line-by-line check of all Commission data and voice lines to ensure that all were currently in use by staff.

Objective: Ensure that all agency procurement activities are conducted in a manner consistent with Federal Procurement regulations.

Accomplishment: All procurement actions were completed in accordance with Federal Procurement regulations. Internal procedures were developed and implemented to ensure that the agency complied with new Competition in Contracting Act regulations.

Objective: Ensure efficient management and utilization of Commission headquarters space. Provide space management assistance to Bureaus/Offices. Implement FCC space reduction plan in accordance with GSA guidelines.

Accomplishment: Efficient management and utilization of Commission headquarters space was accomplished through detailed analysis of current space holdings and proposed reductions. Detailed plans were developed to ensure the efficient relocation of personnel from the Brown Building to remaining headquarters buildings. FCC staff met all internal and external deadlines for submission of telephone and space plans. The move of over 300 staff members was completed on December 22, 1985, as scheduled.

Objective: Ensure efficient management and utilization of FCC headquarters telecommunications resources. Expeditiously and accurately process Bureau and Office requests for all telecommunications services. Implement transition procedures for telephone equipment and service resulting from the divestiture of AT&T.

Accomplishment: All requests for telecommunications services were processed according to established time frames. An in-depth analysis indicated that a competitively procured telephone system would not be economically feasible for the agency at this time. Following completion of this study, transition procedures, required by the divestiture, were implemented and contracts were signed with the local and long line telephone companies.

Objective: Ensure that preparation for Commission meetings (i.e., agenda distribution and Sunshine notice preparation) are timely and accomplished with statutory requirements and agency guidelines.

Accomplishment: Ninety five percent of all agenda items were distributed 10 days prior to Commission meetings and all Sunshine notices were issued within seven days of the meeting.

Objective: Ensure the expeditious updating, dissemination and/or publication of agency decisions and other research materials such as FCC reports, the Federal Register, FCC Rules, docket binders, legislative history, rules history, and minute records.

Accomplishment: Ninety three percent of all documents were sent to the Federal Register within one day of receipt and 88% of original binders were updated within one month of action.

Objective: Ensure that all filings (applications, petitions, comments, etc.), certifications, and orders are promptly and accurately distributed or completed.

Accomplishment: Ninety four percent of all filings were processed by noon of the day following receipt; all certification requests were processed within five days; and 96% of all docketed orders were processed within one day of receipt.

Objective: Continue implementation of network-compatible systems for publishing FCC Reports and FCC Rules, for publication of documents in the Federal Register; implement automated system to docket history (a) enter data for prospective cases within one week of action; (b) update significant retrospective cases, and (c) provide timely responses to public/ staff inquiries on status and content of docketed cases; and continue implementation of cross reference system for Commission actions.

Accomplishment: The Federal Register Office currently will not accept magnetic media input and is not expected to until Fiscal Year 1987. An automated docket history card program was developed and implemented; staff have begun work on entering prospective docketed proceedings. An in-depth analysis was completed which indicated that substantial savings would result from transmission of FCC Reports via electronic media. Implementation of the project was deferred until an optical scanner which converts paper copies of FCC Reports to disks is fully operational.

Objective: Ensure that lottery procedures are implemented and continue timely preparation for significantly increased number of lotteries expected in the MDS, PLTV, SMRS, PMRS, 900 MHZ and Cellular services.
Accomplishment: Procedures were implemented and all preparations were completed on time.

Workload Projections For FY 1985

	Projected	Actual
Agenda Items	575	756
Sunshine Notices	100	60
Federal Register Items	1,400	1,400
Orders Processed	8,000	8,000
FCC Reports	375	375
Certifications	360	360
Filings	140,000	140,000
Library Inquiries	13,000	16,000
Mail Units (incoming/outgoing)	5,000,000	4,900,000
Printing Units	25,000,000	26,000,000
Purchase Requests	2,225	2,350
Written Solicitations to Vendors	50	45
Verbal Solicitations to Vendor	2,200	2,400

FY 1986 Objectives

1. Expeditiously and accurately process requests for administrative support and services. Reduce administrative support costs by developing procedures to forecast, prioritize and allocate resources to best meet agency requirements. Design and implement an automated system for tracking in printing and procurement.

2. Ensure that all agency procurement activities are conducted in a manner consistent with Federal Procurement regulations. Reevaluate the competitive procurement of an FCC telephone system.

3. Ensure efficient management and utilization of Commission headquarters space. Continue implementation of FCC space reduction plan in accordance with GSA guidelines.

4. Ensure efficient management and utilization of FCC headquarters telecommunications resources. Expeditiously and accurately process Bureau and Office requests for all telecommunications services. Continue to implement transition procedures for telephone equipment and service resulting from the divestiture of AT&T.

5. Ensure that preparation for Commission meetings (i.e., agenda distribution and Sunshine notice preparation) are timely and accomplished within

statutory requirements and agency guidelines.

6. Ensure the expeditious updating, dissemination and/or publication of agency decisions and other research materials such as FCC Reports, the Federal Register, FCC Rules, docket binders, legislative history, rules history, and minute records. Reduce automated docket history card backlog despite increased workload associated with Docket 80-90.

7. Ensure that all filings (applications, petitions, comments, etc.), certifications, and orders are promptly and accurately distributed or completed.

8. Finalize implementation of network-compatible systems for publishing FCC Reports and FCC Rules, and automated docket histories to (a) enter data for prospective cases within one week of action, (b) update significant retrospective cases, and (c) provide timely responses to public/staff inquiries on status and context of docketed cases. Utilize automated rules system to generate printed version of specific part or volume within one month of "print" decision.

9. Ensure that lottery procedures are implemented and continue timely preparation for significantly increased number of lotteries expected in the MDS, LPTV, SMRS, PRMS, 900 MHZ and Cellular services.

Workload Projections For FY 1986

Agenda Items	600
Sunshine Notices	75
Federal Register Items	1,250
Orders Processed	7,000
FCC Reports Items	375
Certifications	300
Filings	115,000
Library Inquiries	15,000
Mail Units (incoming/outgoing)	4,500,000
Printing Units	24,000,000
Purchase Requests	2,200
Written Solicitations to Vendors	40
Verbal Solicitations to Vendors	2,200

FY 1987 Objectives

1. Expeditiously and accurately process requests for administrative support and services. Reduce administrative support costs by developing procedures to forecast, prioritize and allocate resources to best meet agency requirements. Develop an integrated automation system for the division.

2. Ensure that all agency procurement activities are conducted in a manner consistent with Federal Procurement regulations. Continue evaluation of competitive procurement of an FCC telephone system.

SUPPORT

3. Ensure efficient management and utilization of Commission headquarters space. Continue implementation of FCC space reduction plan in accordance with GSA guidelines.

4. Ensure efficient management and utilization of FCC headquarters telecommunications resources. Expeditiously and accurately process Bureau and Office requests for all telecommunications services.

5. Ensure that preparation for Commission meetings (i.e., agenda distribution and Sunshine notice preparation) are timely and accomplished within statutory requirements and agency guidelines.

6. Ensure the expeditious updating, dissemination and/or publication of agency decisions and other research materials such as FCC Reports, the Federal Register, FCC Rules, docket binders, legislative history, rules history, and minute records. Reduce automated docket history card backlog despite increased workload associated with Docket 80-90.

7. Ensure that all filings (applications, petitions, comments, etc.), certifications, and orders are promptly and accurately distributed or completed.

8. Implement network-compatible systems for electronic imaging and research of docket files and for electronic publication of items in the Federal Register. Continue implementation of automated docket history, FCC Reports, and rules systems.

9. Continue timely preparations for increased number of MMDS, PMS, LPTV, FM, OFS, and Cellular lotteries.

Workload Projections For FY 1987

Agenda Items	600
Sunshine Notices	75
Federal Register Items	1,250
Orders Processed	7,000
FCC Reports Items	375
Certifications	300
Filings	115,000
Library Inquiries	15,000
Mail Units (incoming/outgoing)	4,500,000
Printing Units	24,000,000
Purchase Requests	2,200
Written Solicitations to Vendors	40
Verbal Solicitations to Vendors	2,200

Justification

Currently the FCC has no annual base for repairs and alterations. In order to meet on-going requirements for minor repairs and to existing office space reallocations required due to reorganizations, the establishment of a

SUPPORT

$50,000 base is requested. These funds are also required to provide for alterations as space is reconfigured to meet the General Services Administration (GSA) guidelines (D-71 requirements). This base is necessary in order to meet our agency goals in space utilization and to maintain a safe environment for our employees.

An additional $41,000 is requested to cover the increased use of an on-line full text, legal information retrieval system by the Commission's legal staff. Use of full text legal data bases has proven to be extremely cost beneficial. For the past five years, the Commission has deregulated major areas of the telecommunications industry: Common Carrier access rules; broadcast license renewal rules; the institution of lottery procedures to allocate special telecommunications services; etc. Each step of deregulation has been challenged by requests for the Commission to review its decision or by federal court appeals, significantly increasing the caseload in several Offices and Bureaus.

At the same time the Commission has been under a partial hiring freeze and has not been able to hire the additional attorney positions to handle the increased workload. The only means FCC legal staff have to process their caseload is to significantly reduce the amount of time spent in case history research. The use of automated legal data bases provides the means to do this at roughly the cost of two senior attorneys.

SUPPORT

7. PERSONNEL MANAGEMENT

The Personnel Management program consists of the Associate Managing Director for Human Resources Management and the Internal Review and Security Division. It is the responsibility of Human Resources Management to plan, organize, implement and administer the Commission's personnel and position management functions. These functions include recruitment, selection, merit promotion, position classification, employee utilization, performance appraisal, merit pay, employee and executive development and training, incentive awards, workforce information systems, labor and employee relations, and internal equal employment opportunity program, at headquarters and in the field. The Internal Review and Security Division is responsible for planning, organizing, implementing and administering the Commission programs for physical security, internal audit, financial disclosure, review and inspection, and inquiry into prohibited ex parte matters.

Personnel by Program	1985 Act.		1986 Est.		1987 Est.		Change	
	Pos.	WY	Pos.	WY	Pos.	WY	Pos.	WY
Personnel Management...........	42	55	44	55	44	50	--	-5

FY 1985 Objectives/Accomplishments

Objective: Continually improve personnel management policies, programs, systems and procedures.

Accomplishment: In FY 1985, eleven chapters of the FCC Personnel Manual were completely revised or rewritten to ensure that recent regulatory requirements and OPM guidelines were incorporated. Chapters rewritten included the following:

Commission-Wide Guidelines on Crediting Plans
Inquiry Compensation and Accident Investigation
Personnel Management Evaluation
Part-Time Employment
Occupational Safety and Health
Performance-Based Actions
Training
Adverse Actions

Detailed guidance was also issued to both employees and managers on provisions of the Spouse Equity Act, and on regulations affecting Civil Service retirement credit for military service.

SUPPORT

Objective: Promote good position management and classification practices in all Bureaus and Offices.

Accomplishment: More than 160 positions were redescribed or reestablished to ensure that positions complied with OPM classification guidelines. In addition, agency procedures for implementation of the OPM-mandated bulge reduction plan were issued and reporting requirements instituted. Semi-annual reports were compiled on both position management and bulge reduction goals. The FCC's GS/GM-11-15 population was reduced by more than 20 positions during the fiscal year.

Objective: Acquire a qualified and competent workforce in compliance with merit system principles and procedures.

Accomplishment: Improvements were made in agency procedures to evaluate and select candidates for employment through implementation of crediting plans. Crediting plans provide for the objective evaluation of the qualifications of competing applicants. During the year, more than 150 positions were filled through the use of competitive selections procedures. For senior executives, the agency drafted a new chapter to the FCC Personnel Manual on Recruiting and Staffing Senior Executive Level Positions, in addition to restructuring and opening to application the Commission's SES Candidate Development Program.

Objective: Ensure that FCC supervisors, managers and executives are (1) fully apprised of their rights and responsibilities in the areas of labor and employee relations and of the significant terms and provisions of the negotiated agreement; and (2) are provided prompt and effective advice and guidance in carrying their labor and employee relations responsibilities.

Accomplishment: Training courses were conducted on grievance processing, unacceptable performance actions, disciplinary/adverse actions, occupational safety and health, and leave administration to ensure that managers and supervisors were aware of their responsibilities in the labor and employee relations areas. A videotape covering leave administration regulations was prepared and distributed to all field offices and five chapters of the FCC Manual dealing with these subjects were rewritten or revised. No statutory, regulatory or contractual deadline was missed and guidance was provided to management on 82 conduct cases, 54 performance cases, 24 negotiated grievances and 42 formal notifications to the Union.

Objective: Strengthen personnel management in the FCC through appropriate use of performance appraisal and incentive systems.

Accomplishment: Revised guidance on determining distinctions between performance levels used in performance appraisal systems was provided to all FCC managers and supervisors. Each Bureau/Office conducted several award ceremonies and a comprehensive Incentive Awards Booklet listing all award recipients for the year was published and distributed to employees.

SUPPORT

Objective: Ensure that the Commission's physical security program provides adequate protection to employees, property and facilities and that National Security Information is processed in accordance with applicable directives.

Accomplishment: Quarterly surveys of physical security requirements of headquarters office space were conducted and, where necessary, appropriate recommendations were made to correct deficiencies. National security information was properly controlled and distributed to the appropriate Bureau or Office in compliance with appropriate regulations.

Objective: Conduct systematic internal audits and investigations of FCC activities to identify potential waste, fraud and administrative deficiencies and recommend appropriate corrective action to the Managing Director.

Accomplishment: Audits of Imprest Fund activities were conducted at headquarters and selected field activities; a review of sole source procurement actions was made, and an examination was completed of property records and controls at a major field installation.

Objective: Strengthen FCC EEO programs by initiating long-range program planning, implementation and evaluation.

Accomplishment: An EEO activity plan was developed, outlining the strategies and programs to be implemented during the year. Among the programs implemented were: recruitment/selection of additional EEO counselors; publication of an agency EEO policy statement and poster; and development of an EEO training module. In addition, preliminary approval was received to conduct several activities associated with the agency's special emphasis programs.

Workload Accomplishments for FY 1985

	Projected	Actual
Merit Promotion	575	166
Personnel Recruited	385	139
Other Actions	12,500	12,732
Position Audits	2,500	275
Personnel Management Evaluations	2	1
Conduct/Performance Cases	55/35	78/51
Grievances (Union)	30	24
Financial Disclosure Statements Reviewed	850	815
Formal EEO Complaints Processed	2	3

SUPPORT

FY 1986 Objectives

1. Acquire a qualified and competent workforce in compliance with merit system principles and procedures, including a qualified and competent executive staff.

2. Manage an effective classification program to ensure accurate classification of positions, effective implementation of reorganizations, and maintenance of a properly structured workforce.

3. Develop and implement new personnel programs as required by OPM regulatory changes or by request of FCC management.

4. Provide agency managers and supervisors with the skills necessary to effectively manage the workforce, and provide FCC employees with training/assistance to enhance their effectiveness and productivity.

5. Achieve management objectives through collective bargaining, by providing effective training of supervisors and managers, by furnishing sound advice and guidance to managers, and by retaining a constructive relationship with the employee's exclusive representative.

6. Strengthen personnel management in the FCC through appropriate use of performance appraisal and incentive systems, including implementation of the Performance Management and Recognition System.

7. Meet the objectives, principles, and requirements of fair/equal employment through an effectively managed Equal Employment Opportunity (EEO) Program.

8. Ensure that the Commission's physical security program provides adequate protection to employees, property and facilities and that National security information is processed in accordance with applicable directives; and that all individuals employed by the Commission meet security criteria (E.O. 10450) and comply with conflict of interest statutes.

9. Conduct systematic internal audits and investigations of FCC activities to identify potential waste, fraud and administrative deficiencies and recommend appropriate corrective action to the Managing Director.

10. Investigate all allegations of misconduct by Commission employees and recommend appropriate action to the Chairman (Part 19 of FCC Rules and Regulations); ensure that all unauthorized ex parte presentations to FCC decision-making personnel are processed in accordance with Commission

regulation (Part 1 of FCC Rules and Regulations); process all requests for inspection of agency records under the Freedom of Information Act within established time limits; and ensure employee compliance with the Ethics in Government program.

Workload Projections For FY 1986

Merit Promotion	155
Personnel Recruited	125
Other Actions	12,000
Position Audits	250
Class Reviews	2,500
Personnel Management Evaluations	1
Conduct/Performance Cases	70/40
Grievances (Union)	30
Financial Disclosure Statements Reviewed	850
EEO Complaints Processed	2

FY 1987 Objectives

1. Acquire a qualified and competent workforce in compliance with merit system principles and procedures, including a qualified and competent executive staff.

2. Manage an effective classification program to ensure accurate classification of positions, effective implementation of reorganizations, and maintenance of a properly structured workforce.

3. Develop and implement new personnel programs as required by OPM regulatory changes or by request of FCC management.

4. Provide agency managers and supervisors with the skills necessary to effectively manage the workforce, and provide FCC employees with training/assistance to enhance their effectiveness and productivity.

5. Achieve management objectives through collective bargaining, by providing effective training of supervisors and managers, by furnishing sound advice and guidance to managers, and by retaining a constructive relationship with the employee's exclusive representative.

6. Strengthen personnel management in the FCC through appropriate use of performance appraisal and incentive systems, including implementation of the Performance Management and Recognition System.

SUPPORT

7. Meet the objectives, principles, and requirements of fair/equal employment through an effectively managed Equal Employment Opportunity (EEO) Program.

8. Ensure that the Commission's physical security program provides adequate protection to employees, property and facilities and that National security information is processed in accordance with applicable directives; and that all individuals employed by the Commission meet security criteria (E.O. 10450) and comply with conflict of interest statutes.

9. Conduct systematic internal audits and investigations of FCC activities to identify potential waste, fraud and administrative deficiencies and recommend appropriate corrective action to the Managing Director.

10. Investigate all allegations of misconduct by Commission employees and recommend appropriate action to the Chairman (Part 19 of FCC Rules and Regulations); ensure that all unauthorized ex parte presentations to FCC decision-making personnel are processed in accordance with Commission regulation (Part 1 of FCC Rules and Regulations); process all requests for inspection of agency records under the Freedom of Information Act within established time limits; and ensure employee compliance with the Ethics in Government program.

Workload Projections For FY 1987

Merit Promotion	160
Personnel Recruited	150
Other Actions	12,500
Position Audits	300
Class Reviews	2,500
Personnel Management Evaluations	1
Conduct/Performance Cases	70/40
Grievances (Union)	30
Financial Disclosure Statements Reviewed	850
EEO Complaints Processed	2

Justification:

An additional $36,000 is required in Fiscal Year 1987 to meet mandatory financial obligations of the Performance Management and Recognition System (PMRS). In October 1984, Congress passed the Civil Service Retirement Spouse Equity Act of 1984, Public Law 98-615, which required the establishment of the Performance Management and Recognition System. The

SUPPORT

PMRS replaced the Merit Pay System. This law mandates that, starting in FY 1985, agencies pay performance awards to PMRS employees at a minimum of .75% of their annual estimated payroll. This percentage will increase at a rate of approximately 2% a year until FY 1989 when the minimum will be 1.15%. The actual base amount for this account in FY 1985 is $104,000. In FY 1986, it must increase to $123,000 and by 1987, to $140,000.

An additional $20,000 is requested for Fiscal Year 1987 to cover the significant increase in the number of security investigations required by Executive Order 10450. This Executive Order mandates the investigation of each newly-hired employee and holds the head of an agency responsible for insuring that employees in sensitive positions are certified by a designated person as cleared for access. Actual investigation costs incurred in Fiscal Year 1985 amounted to $46,000. The current base amount in this account is $25,000.

SUPPORT

8. EMERGENCY COMMUNICATIONS

The Emergency Communications program administers Commission activities to provide the most effective use of FCC licensed and regulated wire and radio communications facilities during times of major natural and man-made disaster and defense related national emergencies. The program obtains the advice and support of communications industries and user groups through the Commission's National Industry Advisory Committee (NIAC). Plans for use of the Emergency Broadcast System (EBS), the Broadcast Station Protection Program, and private radio service emergency plans, such as the Amateur Radio Service Emergency Plan, are developed with NIAC cooperation. The program provides data regarding facilities operated by non-government communications industries to the Federal Emergency Management Agency (FEMA). During a national defense emergency, the program would cooperate with other agencies through functions such as assigning radio frequencies to Commission licensees; controlling non-Federal government radio stations; and investigating violations of law and regulations and initiating appropriate enforcement actions required in the interest of national security. The program would also provide financial, credit, or other assistance to common carriers and Commission licensees under various conditions of mobilization; coordinate communications industry related standby plans for the conservation and salvage of supplies and equipment and for the rehabilitation, restoration, or replacement of essential communication facilities; prepare claims for materials, manpower, equipment, supplies and services needed in support of common carriers and Commission licensees from the appropriate resource agencies; and coordinate with these agencies to ensure availability of such resources.

Personnel by Program	1985 Act.		1986 Est.		1987 Est.		Change	
	Pos.	WY	Pos.	WY	Pos.	WY	Pos.	WY
Emergency Communications..................	7	8	7	7	7	7	--	--

FY 1985 Objectives/Accomplishments

Objective: Ensure effective operation of the Emergency Broadcast System (EBS) by maintaining and upgrading the EBS.

Accomplishment: Eight local EBS plans were completed in FY 1985. A completely revised Standard Operating Procedures (SOP) for the upgrade of the "500" network was drafted and is currently under review. Two closed circuit tests of the EBS were successfully conducted and comprehensive reports prepared.

SUPPORT

Objective: Ensure effective utilization of the Commission's National Industry Advisory Committee (NIAC) in the development and review of emergency communications policies, plans and procedures.

Accomplishment: Four NIAC meetings were held during FY 1985. All arrangements were completed on time. NIAC membership lists were updated each quarter and new nominations and appointments to the committee were processed according to established target dates.

Objective: Ensure effective operation of the Restoration Priority (RP) system for common carrier private line service.

Accomplishment: More than 9,000 Restoration Priority (RP) requests were processed during the year.

Objective: Support the Operation SECURE program by ensuring that states have a viable HF radio communications capability from the scene of any disaster site to a State Emergency Operating Center.

Accomplishment: One new and four revised Operation SECURE plans were reviewed during the year. In addition, staff responded to 43 requests for technical assistance and 228 requests for frequency assignments.

Objective: Ensure the readiness of the FCC to carry out its mission during emergencies. Support FCC mobilization preparedness through maintenance of FCC Continuity of Government (COG) plans. Review and update the FCC COG plan semi-annually and visit the relocation sites quarterly to ensure operational readiness.

Accomplishment: The FCC COG plan was reviewed and updated as required and the relocation sites were visited each quarter to ensure operational readiness. A study of a proposed new relocation site was also completed and recommendations were forwarded to management.

Workload Accomplishments For FY 1985	Projection	Actual
Detailed State and Local Operational Area Plans Developed	15	8
Detailed State and Local Operational Area Plans Revised	50	64
Continuity of Government Actions	20	23
Requests for Information Answered	1,000	2,700
NIAC Activities and EBS Appointments Processed	95	115
Broadcast Station Protection Program Loan Agreements Processed	20	22
Restoration Priority Assignment Activities	175	900
Operation SECURE Plans Processed or Revised	20	5

SUPPORT

FY 1986 Objectives

1. Ensure effective operation of the Emergency Broadcast System (EBS) by maintaining and upgrading the EBS.

2. Ensure effective utilization of the Commission's National Industry Advisory Committee in the development and review of emergency communications policies, plans and procedures.

3. Ensure effective operation of the Restoration Priority (RP) system for common carrier private line services, including processing of 75% of RP applications within one month.

4. Support the Operation SECURE program by ensuring that states have a viable HF radio communications capability from the scene of any disaster site to a State Emergency Operating Center.

5. Ensure the readiness of the FCC to carry out its mission during emergencies. Support FCC mobilization preparedness through maintenance of FCC COG plans. Review and update the FCC COG plan semi-annually and visit the relocation sites quarterly to ensure operational readiness.

Workload Projections For FY 1986

Detailed State and Local Operational Area Plans Developed	8
Detailed State and Local Operational Area Plans Revised	30
Continuity of Government Actions	20
Requests for Information Answered	2,000
NIAC Activities and EBS Appointments Processed	50
Broadcast Station Protection Program Loan Agreements Processed	20
Restoration Priority Assignment Activities	175
Operation SECURE Plans Processed or Revised	9
Operation SECURE requests for Engineering Technical or Operational Assistance filled	40

FY 1987 Objectives

1. Ensure effective operation of the Emergency Broadcast System (EBS) by maintaining and upgrading the EBS.

2. Ensure effective utilization of the Commission's National Industry Advisory Committee in the development and review of emergency communications policies, plans and procedures.

SUPPORT

3. Ensure effective operation of the Restoration Priority (RP) system for common carrier private line services, including processing of 75% of RP applications within one month.

4. Support the Operation SECURE program by ensuring that states have a viable HF radio communications capability from the scene of any disaster site to a State Emergency Operating Center.

5. Ensure the readiness of the FCC to carry out its mission during emergencies. Support FCC mobilization preparedness through maintenance of FCC COG plans. Review and update the FCC COG plan semi-annually and visit the relocation sites quarterly to ensure operational readiness.

Workload Projections For FY 1987

Detailed State and Local Operational Area Plans Developed	8
Detailed State and Local Operational Area Plans Revised	30
Continuity of Government Actions	20
Requests for Information Answered	1,000
NIAC Activities and EBS Appointments Processed	50
Broadcast Station Protection Program Loan Agreements Processed	15
Restoration Priority Assignment Activities	175
Operation SECURE Plans Processed or Revised	7
Operation SECURE requests for Engineering Technical or Operational Assistance filled	35

OTHER OBLIGATIONS
(Dollars in Thousands)

By Object Class	1985 Actual	1986 Est.	1987 Est.	Change
21 Travel & Transportation of persons...	$ 743	$ 832	$ 1,062	$+ 230
22 Transportation of things............	239	229	367	+ 138
23 Rents, communications, utilities.....	13,523	13,229	13,397	+ 168
24 Printing & reproduction.............	1,668	1,575	1,724	+ 149
25 Other services......................	2,763	3,244	3,848	+ 604
26 Supplies and materials..............	1,333	1,304	1,370	+ 66
31 Equipment...........................	2,869	2,353	2,536	+ 183
32 Land, buildings, structures..........	139	547	100	- 447
42 Insurance claims & indemnities.......	14	14	14	- -
Total......................	$23,291	$23,327	$24,418	$+1,091

By Activity				
I. Commissioners......................	$ 399	$ 356	$ 355	$- 1
II. Mass Media........................	4,789	4,613	4,878	+ 265
III. Common Carrier....................	3,583	3,906	4,090	+ 184
IV. Private Radio.....................	2,906	2,810	3,096	+ 286
V. Field Operations.................	5,488	6,099	5,912	- 187
VI. Science & Technology..............	1,945	1,529	1,672	+ 143
VII. Support...........................	4,181	4,014	4,415	+ 401
Total.........................	$23,291	$23,327	$24,418	$+1,091

OTHER OBLIGATIONS

OC 21 TRAVEL AND TRANSPORTATION OF PERSONS

	1985 Actual	1986 Est.	1987 Est.	Change
Travel and per diem (see breakout below)...	$ 730	$ 815	$1,045	$+230
Passenger vehicle rental..................	13	17	17	- -
Total..................................	$ 743	$ 832	$1,062	$+230

Commissioners................................	$ 44	$ 57	$ 67	$+ 10
Office of Managing Director................	34	35	38	+ 3
Office of Administrative Law Judges........	5	10	13	+ 3
Office of Science & Technology.............	60	31	37	+ 6
Office of General Counsel..................	10	8	11	+ 3
Field Operations Bureau....................	325	310	409	+ 99
Common Carrier Bureau......................	130	154	193	+ 39
Private Radio Bureau.......................	30	50	65	+ 15
Mass Media Bureau..........................	43	88	111	+ 23
Review Board...............................	- -	- -	- -	- -
Office of Plans & Policy...................	4	7	10	+ 3
Office of Congressional and Public Affairs.	7	7	8	+ 1
Federal-State Joint Board..................	51	75	100	+ 25
Total......................................	$743	$832	$1,062	$+230

Funds requested under this category are to cover all Commission costs for domestic and foreign travel of employees in the performance of their official duties, travel of employees' families in the case of duty station change, travel to a first duty station for new employees in selected occupational groups, home vacation leave for employees stationed outside the contiguous 48 states, and similar travel authorized or required by statute. Funds requested under this category are also used to reimburse Federal-State Joint Telecommunications Board members and supporting staff as directed by P.L. 98-166.

- - In FY 1987, the proposed increase of $230,000 in Travel and Per Deim is the combined result of $74,000 in programmatic increases combined with a restoration of funds reallocated from this account in FY 1986 to meet unanticipated programmatic requirements. These funds are required in FY 1987 to meet projected requirements.

o $70,000 additional is proposed for the Field Operations Activity to maintain an acceptable level of response to complaints of interference, especially in the safety services. The funds will allow for increased response to Emergency Locator Transmitters (ELTs) as sensitivity of the Search and Rescue Satellite System improves, resolution of problems in marine communications in major ports, as well as allow the Field Operations Activity to complete the last 25% of the broadcast inspection sample to ensure that the 300 stations inspected comply with the most current FCC rules and regulations in compliance with their license authorizations, and the last 33% of the cable television spectrum sample to monitor and inspect approximately 300 cable stations where various problems of this new industry can be identified. One particular problem to date has been excessive radiation emissions.

OTHER OBLIGATIONS

- o A total of $4,000 is requested to support the new FY 1987 positions in this budget.

OC 22 TRANSPORTATION OF THINGS

	1985 Actual	1986 Est.	1987 Est.	Change
Shipment of household goods.............	$ 69	$ 50	$150	$+100
Shipment of things......................	17	14	14	- -
Non-passenger vehicle rental............	153	165	203	+ 38
Total...........................	$239	$229	$367	$+138

Funds requested under this category are to cover the costs of shipping employee household goods to initial or change of duty stations, to ship freight, or to rent non-passenger vehicles for freight and equipment transport purposes.

- - The proposed increase of $100,000 in Shipment of Household Goods represents the sum of an additional $4,000 requested to support our proposed staff increases in FY 1987 and a restoration of funds reallocated from this account in FY 1986 to meet unanticipated program requirements. These funds are required to meet programmatic requirements in FY 1987.

- - The proposed increase of $38,000 in Non-Passenger Vehicle Rental is the net result of a restoration of funds reallocated from this account in FY 1986 to meet unanticipated program requirements. These funds are required to meet programmatic requirements in FY 1987. There is a $1,000 decrease in this account resulting from a one-time effort by the Field Operations Activity to develop an FCC owned high frequency direction-finder (DF) system in Puerto Rico in FY 1986.

OC 23 RENTS, COMMUNICATIONS AND UTILITIES

	1985 Actual	1986 Est.	1987 Est.	Change
Rental of land & office space......	$ 8,927	$ 8,736	$ 8,280	$ -456
Rental of duplicating equipment....	302	332	332	- -
Rental of ADP hardware.............	1,602	1,480	1,813	+333
Departmental telephone service.....	514	492	640	+148
Field telephone service............	262	275	310	+ 35
Federal telecommunications service.	689	700	770	+ 70
ADP computer time rental...........	4	4	4	- -
Official mail......................	797	792	792	- -

OTHER OBLIGATIONS

Teletypewriter service.............	158	173	189	+ 16
Telegrams and cablegrams...........	28	25	25	- -
Utilities..........................	229	211	219	+ 8
Misc. rents, comm. and utilities...	11	9	23	+ 14
Total......................	$13,523	$13,229	$13,397	$+168

Funds requested under this category are to cover costs associated with a variety of rental and administrative items including rental of land and office space, equipment rental, telephone service, ADP hardware rental, mail charges, teletype services and utility charges.

- - A decrease of $456,000 is proposed for Rental of Land and Office Space in FY 1987. Our base office space funding requirement in FY 1987 is projected to be $8,280,000. This requirement is based upon GSA's new RENT system estimate. GSA's estimate was, however, adjusted to reflect space configuration changes anticipated in FY 1986. These reconfigurations represent our ongoing efforts to achieve the 135 square feet per person GSA standard. Our FY 1987 estimated requirement also accounts for known rental cost increases for FCC-leased space in Gettysburg, Pa. and overtime utility requirements. (See page 213 for a summary of our Office Space Rental Charges)

- - In FY 1987, we are proposing an increase of $3,000 for the Rental of Duplicating Equipment to support the proposed staff increases included in this budget. However, this increase is offset by a restoration to other accounts of funds reallocated to this account in FY 1986 to meet unanticipated program requirements. These funds are required elsewhere in FY 1987 to meet programmatic requirements.

- - We are requesting an increase of $333,000 for our Rental of ADP Hardware account for FY 1987. This increase is the net result of a $21,000 increase to cover fixed FY 1987 contractual increases, a $157,000 increase for ADP support to provide a state-of-the-art document storage and retrival system, and a $473,000 increase to restore funds reallocated from this acount in FY 1986 to meet unanticipated program requirements. These funds are required for projected requirements in FY 1987. These increases are offset by a reduction of $318,000 in one-time FY 1986 costs resulting from the completion of lease-purchase agreements on a Low Power Television/Analytic minicomputer and a high speed ADP copier.

- - We are proposing an increase of $148,000 to our Departmental Telephone Service account. This increase is the net result of a $58,000 increase to cover FY 1987 cost increases, a $2,000 increase to support requirements consistent with our proposed FY 1987 staff increases and $118,000 to restore funds reallocated from this account in FY 1986 to meet unanticipated program requirements. We project that these funds will be required in this account in FY 1987. These increases are offset by a $30,000 reduction which represents one-time costs associated with telephone changes required due to the relocation of Commission employees from 1200 19th Street to 1919 M Street and 2025 M Street in FY 1986. This relocation was necessary to comply with GSA mandates moving toward limiting office space to 135 square feet per employee.

OTHER OBLIGATIONS

- - We are proposing an increase of $35,000 in our Field Telephone Service account to cover $5,000 in FY 1987 fixed cost increases, $3,000 to support our proposed FY 1987 staff increases, and $27,000 to restore funds reallocated from this account in FY 1986 to meet unanticipated program requirements. These funds are required to meet programmatic requirements in FY 1987.

- - In FY 1987, an increase of $70,000 is proposed for the Federal Telecommunications Service (FTS) to cover $3,000 in requirements consistent with proposed FY 1987 staff levels and $67,000 to restore funds reallocated from this account in FY 1986, to meet unanticipated program requirements. These funds are projected to be required in this account in FY 1987.

- - We are proposing an increase of $16,000 to our Teletypewriter Service account to cover fixed cost increases projected for FY 1987.

- - We are proposing an increase of $8,000 to our Utilities account in FY 1987. This represents an increase of $19,000 to cover fixed cost increases in FY 1987 offset by an $11,000 restoration of funds reallocated to this account in FY 1986 to meet unanticipated program requirements. These funds are required in FY 1987 in the accounts from which they were reallocated.

- - In FY 1987, an increase of $14,000 is proposed for our Miscellaneous Rents, Communications and Utilities account. This increase consists of $10,000 to provide the Science and Technology Activity with funds for the short term rental of specialized technical testing equipment needed to provide a more accurate testing of new telecommunications equipment and $4,000 to restore funds reallocated from this account in FY 1986 to meet unanticipated program requirements. It is projected that these funds will be required in this account in FY 1987.

OC 24 PRINTING AND REPRODUCTION

	1985 Actual	1986 Est.	1987 Est.	Change
Commission decisions..................	$ 223	$ 215	$ 223	$+ 8
Commission rules & regulations........	10	56	60	+ 4
Forms.................................	119	133	142	+ 9
FCC Publications......................	20	41	59	+ 18
Computer output microform.............	28	60	63	+ 3
Federal Register/CFR..................	1,200	1,000	1,094	+ 94
Miscellaneous printing................	68	70	83	+ 13
Total..........................	$1,668	$1,575	$1,724	$+149

Funds requested under this category are to cover contractual costs of all printing and reproduction work performed by GPO or other outside sources.

- - A proposed FY 1987 increase of $8,000 for Commission Decisions represents a $15,000 increase for expected fixed cost increases offset by a $7,000 reduction because we expect to print fewer volumes.

OTHER OBLIGATIONS

-- In FY 1987, the proposed increases of $4,000 for Commission Rules and Regulations, $9,000 for Forms, and $3,000 for Computer Output Microform are requested to cover anticipated fixed cost increases.

-- In FY 1987, an increase of $18,000 is proposed for FCC Publications. Of this increase, $4,000 is requested to cover anticipated fixed cost increases. The remaining $14,000 represents a restoration of funds allocated from this account in FY 1986 to meet unanticipated program requirements. It is projected that these funds will be needed in this account in FY 1987 to meet projected requirements. This restoration of funds will enable the Commission to publish a TV interference handbook for dissemination to the public.

-- The proposed increase of $94,000 to the Federal Register/Code of Federal Regulations is to restore funds reallocated from this account in FY 1986 to meet unanticipated program requirements. These funds are required in FY 1987 to ensure publication of all documents required to be printed in the Federal Register by statute or law.

-- A proposed increase of $13,000 in FY 1987 to Miscellaneous Printing is requested to fund $5,000 in anticipated fixed cost increases and $8,000 to restore funds reallocated from this account in FY 1986 to meet unanticipated program requirements. These funds are required in this account in FY 1987.

OC 25 OTHER SERVICES

	1985 Actual	1986 Est.	1987 Est.	Change
Work authorizations	$ 343	$ 50	$ 54	$+ 4
Field facilities maintenance	187	63	66	+ 3
Storage & care of vehicles	69	70	70	- -
Technical equipment repair	20	33	33	- -
Office equipment repair	178	174	163	+ 11
Stenographic reporting services	106	90	120	+ 30
Security investigations	46	45	45	- -
Health services	69	76	76	- -
Training	144	128	137	+ 9
Graphic services	5	3	6	+ 3
Arbitration costs	2	2	5	+ 3
ADP production support	635	852	1,098	+246
Contractual research	85	85	85	- -
Contractual program assistance	48	450	542	+ 92
Official representation	2	3	3	- -
Miscellaneous other services	152	147	85	- 62
ADP equipment maintenance	217	527	527	- -
ADP services contracts	321	309	594	+285
Security services	129	129	129	- -
Local conference fees	5	8	10	+ 2
Total	$2,763	$3,244	$3,848	$+604

OTHER OBLIGATIONS

Funds requested under this category are to cover costs of all contractual services not otherwise classified, such as repairs, storage and maintenance of vehicles, tuition, research, stenographic and other service contracts, and alterations and modifications to office space.

-- In our Work Authorizations account we are proposing an increase of $4,000. This is the net result of an increase of $5,000 to accommodate the proposed FY 1987 staff increases within our existing office space, $50,000 as base funding for alterations and modifications as required, offset by reductions of $110,000 for a one time cost in FY 1986 to relocate personnel from our office space at 1200 19th Street and an increase of $59,000 to restore funds to this account which were reallocated from this account in FY 1986 to meet unanticipated program requirements. These funds are projected to be required in this account in FY 1987.

-- An increase of $3,000 to our Field Facilities Maintenance account in FY 1987 is requested in order that we may meet anticipated fixed cost increases for operating our Laurel, Maryland Laboratory testing facility.

-- The decrease of $11,000 for our Repair of Office Equipment account is the result of restoring funds in FY 1987 to other accounts from which we reallocated funds in FY 1986 to meet unanticipated program requirements. It is projected that FY 1987 program needs in these other accounts will require these funds.

-- The increase of $30,000 to our Stenographic Reporting Services account represents a restoration of funds reallocated from this account in FY 1986 to meet unanticipated program requirements. These funds are projected to be required in this account in FY 1987.

-- Although no net increase is requested for our Security Investigations account, we are actually requesting a $20,000 increase to the current base funding in this account. These funds are required to perform an increased number of security investigations mandated by Executive Order 10450. Requirements stemming from this Order were met in FY 1986 by reallocating $20,000 from other accounts. This amount is being restored to the other accounts in FY 1987 because of projected program requirements.

-- An increase of $9,000 is requested for Training in FY 1987. This total represents an increase of $6,000 to restore funds reallocated from this account in FY 1986 to meet unanticipated program requirements. These funds are projected to be required for training purposes in FY 1987. Three thousand dollars is requested to meet requirements for proposed staff increases in FY 1987.

-- An increase of $3,000 in our Graphic Services account represents a restoration of funds reallocated from this account in FY 1986 to meet unanticipated program requirements. It is projected that funds will be required in this account in FY 1987.

OTHER OBLIGATIONS

- - The $3,000 increase to the Arbitration account represents a restoration of funds reallocated from this account in FY 1986 to meet unanticipated program requirements. These funds are required in this account in FY 1987.

- - We are requesting an increase of $246,000 in ADP Production Support. This amount represents an increase of $52,000 for known contractual increases in our facilities management and data entry contracts, $255,000 for ADP Production Support to develop new automated programs throughout the Commission as well as to modify/enhance currently automated systems, and $6,000 to support the Field Operations Activity's regional ADP network. These increases are offset by a $67,000 one-time FY 1986 cost reduction for ADP production support to automate the Cable Television EEO Program.

- - A net increase of $92,000 is requested for our Contractual Program Assistance account. Included in the request is $280,000 for applications programming needed to automate the new Uniform System of Accounts and $8,000 for a joint project with the Environmental Protection Agency (EPA) to study and evaluate problems related to radio frequency radiation hazards. These increases are offset by a restoration of funds reallocated to this account in FY 1986 to meet unanticipated program requirements. These funds are needed to meet projected requirements in other accounts in FY 1987.

- - Although no increase is shown for our ADP Equipment Maintenance account, $35,000 is requested to cover fixed cost increases in FY 1987 and an additional $45,000 is requested to cover programmatic requirements associated with ADP equipment enhancements requested in FY 1987. This increase of $80,000 is offset by a reduction in this account to restore to other accounts funds which were reallocated to this account in FY 1986 to meet unanticipated program requirements. These fund restorations to other accounts are needed to meet projected program requirements in FY 1987.

- - A decrease of $62,000 is proposed in our Miscellaneous Other Services account in FY 1987. This is the net result of a reduction of $9,000 for the one-time FY 1986 costs associated with the installation of a new remote controlled direction-finder in Sabana Seca, Puerto Rico, an increase of $3,000 to support proposed staff increases in FY 1987, and the restoration to other accounts of funds which were reallocated to this account in FY 1986 to meet unanticipated program requirements. These funds will be needed in these other accounts to meet program requirements in FY 1987.

- - The proposed increase of $285,000 in ADP Service Contracts is the net result of a one-time cost reduction of $60,000, an increase of $15,000 to cover fixed cost increases to maintain ongoing service contracts, and $269,000 for new service contracts. The $60,000 reduction represents a FY 1986 non-recurring cost associated with procurement of software and training required to bring the Clear Channel Minicomputer on-line. In addition, an increase of $61,000 represents a restoration of funds reallocated from this acount in FY 1986 to meet unanticipated program requirements. These funds are needed to meet projected requirements in this account in FY 1987.

OTHER OBLIGATIONS

The additional $269,000 is requested for a number of new service contracts in FY 1987. A summary of these requests follows:

o $100,000 for the Mass Media Activity to further evaluate and develop two computer models to enhance the speed and accuracy with which applications and waiver requests are processed and with which proposals for new services, rule changes and technical changes can be evaluated.

o $21,000 for the Mass Media Activity to contract for data transcribers to process data received during the next national open "window" filing for the Low Power Television service.

o $63,000 for software and training to allow for the effective utilization of new proposed equipment for the Commission's field ADP network.

o $28,000 in order to complete the installation of the Uniform System of Accounts minicomputer initiated in FY 1986.

o $2,000 for software to support domestic and international frequency assignment coordination activities.

o $10,000 in our Legal Services Program for ADP software to support the tracking of litigation in which the Commission is involved. The system will enable the General Counsel to maintain efficient records concerning the Commission's rapidly increasing litigation caseload.

o $41,000 for increased use of automated contractual legal research systems. This will reduce the processing time of the Commission's litigation caseload.

o $2,000 to support the ADP color graphics equipment which is requested in this budget. This equipment is needed to complete automation of the AM interference study program for the International Frequency Review Board.

o $2,000 to support the personal computer and plotters requested in this budget for our Common Carrier Activity.

- - Although no increase is shown, an additional $7,000 is requested for Security Services in FY 1987 to cover fixed cost increases. This increase is offset by funds which were realloated to this account in FY 1986 to meet unanticipated program requirements being restored to other accounts. These funds are projected to be required in FY 1987 in these other accounts.

- - In FY 1987, we are requesting a $2,000 increase in Local Conference Fees. This represents a restoration of funds reallocated from this account in FY 1986 to meet unanticipated program requirements. These funds are projected be required in this account in FY 1987.

OTHER OBLIGATIONS

OC 26 SUPPLIES AND MATERIALS

	1985 Actual	1986 Est.	1987 Est.	Change
Petroleum, oil & lubricants............	$ 117	$ 120	$ 120	$ - -
Technical supplies & materials.........	100	75	75	- -
Periodicals & subscriptions............	130	161	190	+ 29
Duplicating plant supplies.............	195	152	152	- -
Departmental supplies..................	404	382	382	- -
Field supplies.........................	27	30	38	+ 8
ADP supplies...........................	148	178	200	+ 22
Training supplies......................	2	2	2	- -
Library reference materials............	27	23	30	+ 7
Field operating expenses...............	177	178	178	- -
Government publications................	6	3	3	- -
Total..........................	$1,333	$1,304	$1,370	$+ 66

Funds requested in this category are to cover the costs of commodities which are ordinarily consumed or expended within one year after being put to use, are converted in the process of construction or manufacture, or which are used to form a minor part of equipment or fixed property.

- - Although no change is shown in the funding level for our Technical Supplies and Materials account, there is actually an $18,000 reduction offset by an $18,000 increase to the account. The reduction results from the non-recurring FY 1986 costs relative to the relocation of high frequency direction-finding equipment in Puerto Rico. This reduction is offset by the restoration of funds reallocated from this account in FY 1986 to meet program requirements. These restored funds will be needed to meet program requirements in this account in FY 1987.

- - An increase of $29,000 is proposed for Periodicals and Subscriptions to cover anticipated cost increases in FY 1987.

- - An increase of $6,000 is proposed to cover fixed cost increases in FY 1987 for Departmental Supplies. The increase is entirely offset by a reallocation of funds to other accounts in FY 1987. Funds were reallocated from these other accounts in FY 1986 to meet program requirements and need to be restored in FY 1987 to meet projected requirements.

- - Although no change is shown in our Duplicating Plant Supplies account, we are requesting an increase of $6,000 to meet anticipated cost increases. This increase is offset by a reallocation to other accounts in FY 1987. These funds were reprogrammed to this account in FY 1986 to meet unanticipated program requirements, but will now be required in the other accounts to meet projected FY 1987 requirements.

OTHER OBLIGATIONS

- - Although no change is shown in our Departmental Supplies account, we are requesting an increase of $14,000 to meet anticipated fixed cost increases, $28,000 for an additional 25,000 file folders required to meet the requirements for the next "window" filing for the Low Power Television service and $2,000 to support the staff increases requested in this budget. These increases are offset by a reduction in this account to restore funds which were reallocated in FY 1986 to this account to meet unanticipated program requirements. It is projected that these funds will be needed in these other accounts to meet FY 1987 program requirements.

- - In FY 1987, an increase of $8,000 is requested in our Field Supplies account. This is a combination of a requested $1,000 increase to support the new positions requested in FY 1987 and $7,000 to restore funds reallocated from this account in FY 1986 to meet anticipated program requirements. These funds are projected to be required in this account in FY 1987.

- - An increase of $22,000 is requested for our ADP Supplies account. $10,000 is required to cover an anticipated cost increase for computer paper and other computer supplies. $37,000 is requested to provide supplies for the increased use of automation requested elsewhere in this budget. These increases are partially offset by a restoration of funds to other accounts which were reallocated to this account in FY 1986 to meet unanticipated program requirements. These funds will be required to meet projected requirements in these accounts in FY 1987.

- - In FY 1987, an increase of $7,000 is requested to cover anticipated fixed cost increases in our Library Reference Materials account.

OC 31 EQUIPMENT

	1985 Actual	1986 Est.	1987 Est.	Change
Technical equipment..................	$ 555	$1,097	$ 880	$-217
Office equipment & furnishings........	131	50	50	- -
Purchase of vehicles.................	108	30	90	+ 60
ADP equipment........................	1,891	1,122	1,304	+182
Other equipment......................	71	8	63	+ 55
Office automation furniture..........	71	34	87	+ 53
Telecommunications equipment.........	42	12	62	+ 50
Total.........................	$2,869	$2,353	$2,536	$+183

Funds requested in this category are to cover costs of property of a durable nature which may be expected to have a period of service of a year or more after it is put in use.

OTHER OBLIGATIONS

-- In the Commission's Technical Equipment program we are requesting a net increase of $383,000. This amount represents proposed increases to support our Field Operations monitoring and enforcement program ($266,000) and to maintain our Science and Technology equipment testing program ($66,000). These increases are offset by a proposed reduction of $13,000 representing the one-time cost to relocate a remote controlled direction-finder in Puerto Rico. The Field Operations monitoring and enforcement program will be replacing worn-out and obsolete VHF/UHF receivers, HF receivers, intensity meters, generators, field strength meters and spectrum analyzers. The Field Operations Activity base amount in FY 1987 of $534,000 will be used for further replacement of equipment at various monitoring stations that is approaching 30 years of age and for continued implementation of a fixed VHF/UHF automatic direction-finding system. The replacement of equipment over 10 years of age on a rotating cycle among regions is essential to ensure that the Commission has the ability to monitor and analyze spectrum usage in the state-of-the-art communications technologies which it has authorized. As such, upgrading of equipment is essential to meeting enforcement and monitoring objectives. The $66,000 requested increase to the Commission's equipment sampling program would allow increased efficiency in testing TV receivers, in developing alternative equipment authorization approaches and in promoting the implementation of new technologies. In addition, the proposed increase for FY 1987 includes $64,000 to restore funds which were reallocated from this account in FY 1986 to other accounts to meet unanticipated program requirements. There is a $600,000 reduction to this account for the one-time FY 1986 costs associated with relocating the Ft. Lauderdale monitoring station.

-- In FY 1987, the proposed increase of $60,000 for the Purchase of Vehicles will restore funds which were reallocated from this account to meet unanticipated program requirements in FY 1986 and allow for the purchase of vehicles that were originally scheduled to be purchased in FY 1986.

-- In FY 1987, we are requesting an increase of $182,000 for ADP Equipment above our FY 1986 level of $1,122,000. This request includes $368,000 in new equipment and $119,000 to restore funds reallocated from this account in FY 1986 to meet unanticipated program requirements. These increases are offset by a decrease of $305,000 resulting from one-time FY 1986 ADP purchases. The new ADP equipment includes the following:

o $182,000 to complete our Field Operations Activity's automation network.

o $10,000 for ADP equipment needed to provide a state-of-the-art document storage and retrieval system.

o $36,000 for ADP equipment required by the Financial Management Program to help meet the requirements of the Debt Collection Act.

o $43,000 for ADP equipment to provide for enhancements to our Automated Land Mobile Applications Processing System (ALMAPS).

o $34,000 for ADP color graphics equipment needed to automate the AM interference study program for the International Frequency Review Board.

OTHER OBLIGATIONS

- $22,000 for additional personal computers for our Common Carrier Activity to improve the efficiency of audit teams.

- $6,000 for additional ADP equipment to improve office automation for our Mass Media Activity.

- $10,000 for ADP equipment required to automate the coordination/ registration of proposed satellite networks by our Science and Technology Activity.

- $9,000 to provide modern plotters to upgrade engineering methods in the Common Carrier Activity for Microwave, Multipoint Distribution (single and multichannel), Satellite, Land Mobile and Cellular services.

- $6,000 to add graphics capability for an automated AM interference study effort by our Mass Media Activity.

- $5,000 for additional ADP equipment required to perform complex engineering analyses at our Gettysburg, Pa. licensing facility.

- $5,000 for ADP equipment to support minicomputers currently used in our Radio Marti and Low Power Television efforts and for increased graphics applications in these and other activities.

-- We are proposing an increase of $55,000 to our Other Equipment account. As a result of the proceeding in FCC Docket 83-10, which relaxed the equipment authorization rules for many radio frequency devices, the Commission instituted a post-grant sampling program. The program is intended to enforce the Commission's minimum technical standards, which were promulgated to minimize harmful interference to radio and TV reception. To ensure that the samples tested are representative of the equipment being sold to the public, a minimum of $18,000 is required to purchase samples for testing. Based on past experience with the program, it has been found that a number of manufacturers have modified their equipment before submission to the Commission for testing. As some of the personal computers and other samples cost well over $1,000 each to purchase from a retailer, the amount requested is the minimum amount required to ensure a viable sample testing program. Also, the more sample testing which can be accomplished, the more flexibility the Commission may have in further relaxation of its equipment authorization rules. The remaining $37,000 represents a restoration of funds reallocated from this account in FY 1986 to meet other unanticipated program requirements. It is projected that these funds will be required in this account in FY 1987.

-- In FY 1987, we are proposing an increase of $53,000 in Office Automation Furniture to provide adequate workstations to support the ADP equipment requested for all Commission activities. A total of $65,000 is requested for this purpose. This increase is offset by a $13,000 non-recurring FY 1986 expense. Also $1,000 is being restored to this account. This amount was reallocated from this account in FY 1986 to meet unanticipated program requirements and will be required in this account in FY 1987 to meet projected requirements.

OTHER OBLIGATIONS

-- In FY 1987, we are requesting an increase of $50,000 for Telecommunications Equipment. A total of $26,000 of this increase is needed to replace an obsolete telephone system at our Laurel, MD laboratory. The present phone system at the laboratory consists of a PBX system which is now 13 years old and an additional three-line 11 year old system which provides access to FTS lines. These current systems have caused problems impacting negatively on productivity. The present system is now considered by AT&T to be outdated. It is becoming increasingly more difficult to find parts to repair the system, which is beginning to deteriorate and malfunction. The requested funds would increase staff productivity and reduce maintenance costs. The other $24,000 represents a restoration of funds reallocated from this account in FY 1986 to meet other unanticipated program requirements. It is projected that these funds will be required in this account in FY 1987.

OC 32 LAND, BUILDINGS, STRUCTURES

	1985 Actual	1986 Est.	1987 Est.	Change
Land..................................	$ 43	$ 309	$ 15	$-294
Buildings..............................	42	191	73	-118
Structures.............................	54	47	12	- 35
Total..........................	$139	$ 547	$100	$-447

Funds requested under this category are to cover the costs of contractual acquisitions of land, buildings, or other structures and additions or nonstructural improvements to real estate.

-- The decrease of $294,000 in our Land account results from a one-time FY 1986 cost associated with the purchase of land ($280,000) in Puerto Rico to establish a permanent site for a high frequency direction-finding terminal and a reduction of $14,000 which was reallocated to this account from other accounts in FY 1986 to meet unanticipated program requirements. This $14,000 is being restored to these other accounts to meet projected requirements in FY 1987.

-- The decrease of $118,000 for Buildings results from one-time FY 1986 costs associated with the relocation and contruction of a new direction finding array in Puerto Rico and the relocation of our Ft. Lauderdale Monitoring Station.

-- The decrease of $35,000 in our Structures account in FY 1987 results from a one-time FY 1986 cost to construct antenna supports for the FCC direction-finding system in Puerto Rico.

OTHER OBLIGATIONS

OC 42 INSURANCE CLAIMS AND INDEMNITIES

	1985 Actual	1986 Est.	1987 Est.	Change
Total...........................	$ 14	$ 14	$ 14	$ - -

Funds requested under this category are to cover the cost of insurance claims and indemnities for the destruction of property, injury to persons and other loss awards for which the agency is liable.

- - No additional funding is requested.

OTHER OBLIGATIONS

SUMMARY OF OFFICE SPACE RENTAL CHARGES
(Dollars in Thousands)

Location	FY 1985 Total Rent 1/	FY 1986 Total Rent 2/	FY 1987 Total Rent 3/	FY 1986/FY 1987 Change
Washington, D.C.				
1919 M St.	$ 4,878	$ 4,878	$ 4,545	$ -333
2025 M St.	1,698	1,698	1,631	- 67
1200 19th St.	380	53	- -	- 53
2000 L St.				
2nd Floor	422	529	636	+107
8th Floor	112	148	132	- 16
2400 M St.	17	17	17	- -
Gettysburg, PA				
Post Office	8	8	7	- 1
PRB Licensing Facility	256	258	260	+ 2
Field Locations	983	854	854	- -
Miscellaneous				
Overtime GSA Utilities	126	238	143	- 95
Conference & antenna space, etc.	47	55	55	- -
Subtotal SLUC/RENT	$ 7,964	$ 8,185	$ 7,822	$ -363
Subtotal FCC Leased Space:				
Gettysburg.......	256	258	260	+ 2
2000 L Street....	533	- -	- -	- -
Subtotal Miscellaneous........	173	293	198	- 95
Base Space Requirement..........	$ 8,926	$ 8,736	$ 8,280	$ -456
FY 1986 Programmatic Increases............	- -	- -	- -	- -
Total Space Requirement..........	$ 8,926	$ 8,736	$ 8,280	$ -456

1/ Reflects actual FY 1985 space configuration.

2/ Assumes December 22, 1985, release date of Brown Building (1200 19th Street). Assumes FY 1986 Standard Level User Change (SLUC) frozen at FY 1985 rates.

3/ Reflects implementation of new GSA Rent System in FY 1987.

Mr. SMITH. We have with us this morning the Chairman, the Honorable Mark Fowler. You may proceed.

Mr. FOWLER. Thank you, Chairman Smith. Good morning, members.

I appreciate the opportunity to review with you the Federal Communications Commission's fiscal year 1987 budget estimates. With me today are senior staff members, including; on my left, Edward Minkel, Managing Director; Bert Halprin, Chief of the Common Carrier Bureau; Bill Johnson, Deputy Chief of the Mass Media Bureau; Bob Foosaner, Chief of the Private Radio Bureau; Jack Smith, our General Counsel; Richard Smith, Chief of the Field Operations Bureau; Thomas Stanley, Chief Engineer; Bill Russell, Director of our Office of Congressional and Public Affairs; Peter Pitsch, Chief of the Office of Plans and Policy; and Marilyn McDermett, the Associate Managing Director for Operations.

BUDGET REQUEST

Our fiscal year 1987 budget estimates propose a total of $96,363,000 and 1,855 positions. This represents an increase of $1,963,000 and 20 positions over our fiscal year 1986 appropriation, and $6,022,000 over our final anticipated fiscal year 1986 appropriation following the sequestration required by Public Law 99-177.

To provide a context for our fiscal year 1987 budget request, I would like to review what we have been able to accomplish during the past five years at the FCC.

The Commission has tried to do more with less, and I believe we have been extremely successful, in large part because we have received adequate funding for critical areas, especially for data processing and office automation and, Mr. Chairman, we thank you and the members of this Committee for that. That has given us an extremely large bang for the bucks, so to speak.

Another factor has been our greater emphasis on efficiencies achieved through better management and improved employee morale. By critically examining programs and reordering priorities, and through judicious capital investments, radio licensing productivity has increased 21 percent in the private radio services, and 30 percent in radio and TV licensing. Even as the number of applications processed has gone up, the processing time has gone down. Additionally, nearly 87 percent of the Commission's rules have been reviewed, with 16 percent either eliminated or proposed for elimination, and 49 percent either simplified or proposed for simplification. These numbers reflect actions taken through the first quarter of fiscal year 1986 which were not available when we presented our budget request to you last month.

Beyond keeping up with increasing workloads, the Commission has authorized a myriad of new or expanding services, including; cellular mobile telephones, low power television, direct broadcast satellites, multichannel multipoint distribution service, instructional television fixed service, mobile satellites service, digital electronic message service, nationwide paging, increased hours of operation for daytime AM radio stations, and additional AM clear channel stations. Almost 700 new FM stations have been made available, primarily providing new service to rural and small town America.

TELEPHONE DEREGULATION

In the domestic common carrier area the Commission has implemented the AT&T divestiture, acted to dramatically change the way long distance services are priced through the access charge decision, deregulated terminal equipment, overseen the process of equal access conversion mandated by the AT&T divestiture court, and implemented the Computer II decision.

Now, what has been the result of these actions? I would like to note that the state of telecommunications in our nation is quite healthy and consumers are seeing tangible benefits from our procompetitive policies. The Commission's commitment to a universally available efficient telecommunications service is unshakeable and historic. To this end we have contracted with the Census Bureau to collect specific data on national telephone subscribership levels.

What has been discovered is that contrary to the dire predictions by a few that millions of consumers would be forced off of the telephone network, subscribership levels have remained quite stable, or have even increased since divestiture. The percentage of U. S. households with a telephone is at an all time high, nearly 92 percent, and has been increasing over the past two years. Stability in telephone penetration rates is true, even among the unemployed and the lowest income groups.

With respect to the cost of telephone service, the fact is that telephone service, including local, long distance, equipment and other charges, remains a bargain in comparison to other consumer goods and services.

While the overall Consumer Price Index has more than tripled between 1967 and 1984, neither local residential rates nor overall telephone service even doubled during that same period. I would also point out that the percentage increase for all telephone service from 1984 to 1985 was close to the general rate of inflation.

And remember the predictions of so-called consumer groups of two to 300 percent increases in local telephone rates? Well, according to the Bureau of Labor Statistics' Producer Price Index, between November 1983 and November 1984, local rates increased 10.4 percent, and between November of 1984 and November of 1985, only 3.1 percent. I would also note that rate increase requests pending at the State level have shown a marked decrease since the initial round of increases. At the end of 1983 there were some $6.9 billion in pending requests at the State level. But by the end of 1985 that was down to $1.7 billion.

Unprecedented reductions in long distance rates have also accompanied this period of transition. As a result of the Commission's repricing policies, competition, and traffic stimulations, AT&T's rates are down almost 12 percent since divestiture, and at least another five percent cut can be expected in June of this year, as the second dollar of the subscriber line charge takes effect. Other long distance carriers have dropped their rates in response. That will mean at least a 17 percent reduction in two years, in spite of seven percent inflation, which we had to pay for before we could have the first dime of reduction, and the payment of one half billion dollars in equal access conversion costs which are included in long distance rates.

Finally, competition has been promoted in the international telecommunications arena by authorizing separate satellite systems, liberalizing earth station ownership, eliminating voice/record restrictions and affirming the applicability of Computer II in the international provision of enhanced services.

Lastly, I would like to note that because of our decision to deregulate terminal equipment the average consumer can save $20 to $60 a year by buying his or her own phone.

BUDGET REQUEST

We have done all of these things with an 8.4 percent reduction in permanent staff between fiscal year 1981 and fiscal year 1986; from 2,004 to 1,835 full time permanent positions. And this at a time when because of exploding technologies our workload has geometrically increased.

For fiscal year 1987 the Commission is proposing a modest increase of 20 full-time permanent positions. These positions are needed to enable us to keep pace with the tens of thousands of applications for new licenses expected in fiscal year '87, and to maintain an acceptable level of monitoring and enforcement activity.

Deregulation and an improved economy have stimulated new growth and demand for radio licenses, and it is vital that these applications be processed fairly and expeditiously. The demand for private radio spectrum and public safety channels is also exploding, and meeting this demand will require innovative spectrum allocation techniques. We must also encourage new technologies in order to make optimum use of the available spectrum.

By fostering new and innovative services, allowing existing services to operate based upon marketplace realities, rather than outmoded regulatory schemes, and encouraging new technologies, we can and do bring some extremely important benefits to our society. Vigorous competition benefits consumers by presenting them with more choices and lower prices. Thousands of new jobs are created in the rapidly expanding telecommunications sector of our economy. In fact, today this sector is, if not the most robust, and I believe it is, certainly one of the most robust in the entire American economy. And healthier, more streamlined domestic telecommunications companies are better able to compete in the international marketplace. It is not just theory, as I have described, tangible benefits are enjoyed by the people now.

In order to meet its burgeoning workload, the Commission has continued to emphasize the use of automation to further improve staff productivity. To keep pace with the expected increases in application receipts, as well as to improve the effectiveness of our current automated systems, we are again proposing several ADP enhancements in this budget.

For example, we plan to expand the use of automation to facilitate communications with and among our field facilities. This will improve our monitoring and investigations capabilities. Additionally, we are proposing to use automation to meet our recordkeeping requirements by moving from a 19th Century system to a computerized document storage and retrieval system.

The Commission is in the process of restructuring its regulation of inter-exchange telephone service, and with our third computer inquiry, is continuing to grapple with the convergence of the communications and data processing industries. In fiscal year 1987 we are requesting a minimal increase in personnel and support services for the Common Carrier Bureau to continue its analysis of depreciation rates, as well as to maintain critical computer data bases. The Common Carrier Bureau would also receive resources necessary to complete the initial systems development of a new Uniform System of Accounts (USOA), data base.

The Commission is additionally requesting an increase in field personnel to maintain an acceptable level of response to public inquiries and complaints. The rapid development of telecommunications technology and the increased demand for, and use of, radio frequencies have dramatically increased the need for monitoring in a number of services.

An increase in the size of our field monitoring and enforcement staff is essential to ensure adequate efforts to respond to "safety of life" situations, and to protect the public interest in maintaining effective and efficient telecommunications systems in this country.

FEE COLLECTION PROGRAM/AUCTIONS

This covers the major areas, Mr. Chairman, of our fiscal year 1987 budget proposal. However, I would like to bring you up to date on two other major matters: the status of our administrative fee collection program and a request for auction legislation. The fee proposal is included in the pending budget reconciliation bill and, if adopted, will collect approximately $30 million in the first full year after implementation. Neither our fiscal year 1986 nor our fiscal year 1987 budget includes funding to develop and implement a fee collection program.

We estimate that if a statutory fee schedule is enacted, we will require $1.6 million and 45 permanent positions in the first year, and $1.1 million and 43 positions each year thereafter, to maintain an effective fee collection program that would be consistent with applicable GAO and Treasury regulations.

Following enactment of such a fee schedule, we would submit a request through the Office of Management and Budget for additional funding to support this program. The Commission has also recommended to Congress that we be given statutory authorization to auction certain non-broadcast spectrum. By auctioning certain spectrum uses, such as cellular mobile telephone frequencies, the Commission could more efficiently assign spectrum, while at the same time bring in a great deal of revenue to the Treasury.

This concludes my prepared statement. I would be happy to answer any of the Subcommittee's questions.

FEE COLLECTION PROGRAM

Mr. SMITH. Well, now with regard to these fees, would the fees, when collected, go to the general Treasury?

Mr. FOWLER. Yes, sir.

Mr. **Smith.** So your budget would go up?

Mr. **Fowler.** Ours would be up about $1.6 million, and we would put about $30 million into the Treasury.

Mr. **Smith.** Your budget goes up, but it makes it more difficult for us to handle our appropriations bill, because the money that you raise goes somewhere else, right?

GRAMM-RUDMAN-HOLLINGS REDUCTIONS

How are you going to handle the Gramm-Rudman reductions?

Mr. **Fowler.** Well, we have taken a number of steps. The first thing that we did was we froze all hiring. We are not hiring anyone from the outside. That is the first thing we did, Chairman Smith.

The second thing we did was to look through all the accounts that we have that do not relate to personnel, and attempted to reduce them as much as we could. We took out, for example, over a million dollars in our data processing area.

Mr. **Smith.** Well, now does that eliminate, or does it defer?

Mr. **Fowler.** It eliminates for fiscal year 1986.

Mr. **Smith.** Yes, but—

Mr. **Fowler.** In some cases it defers, for example, the expenditures we had planned to make to implement our uniform system of accounts will be deferred until fiscal '87.

Mr. **Smith.** So really, well, what percentage of this is really money that will never be spent, rather than money that will be spent in the future years, instead of this year?

Mr. **Minkel.** I would say approximately a million dollars.

Mr. **Smith.** Of what?

Mr. **Minkel.** Of the $4 million that will not be spent this year.

Mr. **Smith.** And the other three million will be spent at a later time?

Mr. **Minkel.** Yes.

Mr. **Smith.** Any RIF's or furloughs?

Mr. **Minkel.** If we take all the steps that we have planned on taking now, as the Chairman mentioned, the hiring freeze, the promotion deferrals, and looking to reduce our other accounts, right now it looks like we are looking at two days of personnel costs furlough. Ours runs $275,000 a day, so roughly two furlough days.

Now, this will vary, depending upon our attrition rate.

Mr. **Smith.** What about reprogramming? Are you proposing a reprogramming?

Mr. **Minkel.** Yes, sir. We have a letter ready to come up to the Hill, it should be coming up this week.

Mr. **Smith.** Are those reprogrammings related to your Gramm-Rudman reductions?

Mr. **Minkel.** Yes, sir. But I would like to say, sir, we have protected authorization of service, protected our service programs, to keep applications processing flowing, because once you stop that a terrific backlog develops, and it takes time to get——

FY 1987 BUDGET

Mr. **Smith.** Now, let me just pose this question, a little background. It looks like, in looking at the overall budget, it is going to be extemely difficult. A very unusual situation must exist for anybody to get more dollars than they got after Gramm-Rudman sequestration in 1986. And some are going to have to take a reduction below that, in order to make our targets.

Well, let us see, that would leave you with $93,341,000; is that about right?

Mr. **Minkel**. That is right.

Mr. **Smith**. What kind of a service would you have if in 1987 you end up with $90 million?

Mr. **Minkel**. Well, the one time deferrals, one time costs in this year, of course, would be lost. Our authorization of service automation enhancements also would be deferred, and our USOA, on which we are spending $900,000 in '87, to get that program underway, would also be deferred.

Mr. **Smith**. Give me in the record a detailing of what you would not be able to do if you ended up with a $90,341,000, that you think, that you intended to do, and something to the effect or relatively how important is one item compared to another.

[The information follows:]

Report Title: Master Regulatory Review Plan - FCC-Wide Date: Mon Mar 31 1986

Report Writer: rrs-2-cw

Report Contents: This report writer is for REGULATORY REVIEW reporting. It will provide a printout of the Commission's Master Regulatory Review Plan. The report provides the following information: section number, descriptive title, priority, fiscal year and quarter for review, ident code, proposed and ultimate actions and remarks.

REGULATORY REVIEW PLAN
Common Carrier Bureau

PART/SUB	TITLE DESCRIPTION	NEED	LEGAL BASIS
01	Practice and Procedure		
E	Complaints, Applications, Tariffs and Reports involving Com. Carr.	These rules prescribe formal and informal procedures for filing complaints against common carriers and outline common carrier application and reporting requirements.	47 U.S.C. Sec. 154, 206-209, 303.

SECTION NUMBER	TITLE DESCRIPTION	PRIORITY	FY/QTR	ID	PROP ACTION	ULTIM ACTION	REMARKS
1.781	Reports and requests to be filed under Part 31 of this chapter.				•	•	
1.782	Reports and requests to be filed under Part 33 of this chapter.				•	•	
1.812	Reports regarding premature destruction of records.				•	•	

PART/SUB	TITLE DESCRIPTION	NEED	LEGAL BASIS
21	Domestic Public Fixed Radio Service		
B	Applications and Licenses	These rules prescribe general filing requirements and application procedures for the Domestic Public Fixed Radio Service.	47 U.S.C. Sec. 307-310.

SECTION NUMBER	TITLE DESCRIPTION	PRIORITY	FY/QTR	ID	PROP ACTION	ULTIM ACTION	REMARKS
21.17	Demonstration of financial qualifications.	2	82/3	01	m	e	

PART/SUB	TITLE DESCRIPTION	NEED	LEGAL BASIS
21C	Technical Standards	These rules prescribe technical standards for the Domestic Public Fixed Radio Service.	47 U.S.C. Sec. 307-310.

SECTION NUMBER	TITLE DESCRIPTION	PRIORITY	FY/QTR	ID	PROP ACTION	ULTIM ACTION	REMARKS
21.101	Frequency tolerance	1	82/3	01	m	e	Dkt. 79-188 & 82-334, effective 8/17/84
21.102	Frequency measuring or calibrating apparatus	1	82/3	01	e	•	
21.103	Standards and limitations governing....	1	82/3	01	e	•	
21.121	Replacement of equipment	1	83/3	01	m	e	Dkt. 80-739

PART/SUB	TITLE DESCRIPTION	NEED	LEGAL BASIS
21D	Technical Operation	These rules prescribe operating standards in the Domestic Public Fixed Radio Service.	47 U.S.C. Sec. 307-310.

SECTION NUMBER	TITLE DESCRIPTION	PRIORITY	FY/QTR	ID	PROP ACTION	ULTIM ACTION	REMARKS
21.203	Posting of operator licenses.	1	82/3	01	s	e	Dkt. 83-332, effective 6/15/84
21.204	FCC publication required for reference.	1	82/3	01	r	e	
21.205	Operator requirements.	1	82/3	01	s	e	Dkt. 83-322, effective 6/15/84
21.206	Inspection and maintenance of antenna structure marking and lighting.	1	82/3	01	m	e	
21.207	Transmitter measurements.	1	82/3	01	s	e	Dkt. 83-322, effective 6/15/84
21.208	Station records.	1	82/3	01	s	e	Dkt. 83-322, effective 6/15/84
21.212	Equipment, service and maintenance tests.	1	82/3	01	s	e	
21.213	Station identification.	1	82/3	01	e	e	

PART/SUB	TITLE DESCRIPTION	NEED	LEGAL BASIS
21E	Miscellaneous	These rules prescribe miscellaneous requirements in the Domestic Public Fixed Radio Service.	47 U.S.C. Sec. 307-310.

SECTION NUMBER	TITLE DESCRIPTION	PRIORITY	FY/QTR	ID	PROP ACTION	ULTIM ACTION	REMARKS
21.300	Business records.	1	82/3	01	m	e	
21.305	Reports required concerning amendments to charters and partnership agreements.	4	82/3	01	e	e	

PART/SUB	TITLE DESCRIPTION	NEED	LEGAL BASIS
21I	Point-to-Point Microwave Radio Service	These rules prescribe standards for the Point-to-Point Microwave Radio Service in the Domestic Public Fixed Radio Service.	47 U.S.C. Sec. 307-310.

SECTION NUMBER	TITLE DESCRIPTION	PRIORITY	FY/QTR	ID	PROP ACTION	ULTIM ACTION	REMARKS
21.713	Applications for authorizations involving relay of TV signals to CATV systems.		82/3	01	r	e	

PART/SUB	TITLE DESCRIPTION	NEED	LEGAL BASIS
22	Public Mobile Radio Services		
B	Applications and Licenses	These rules prescribe general filing requirements and application procedures for the Public Mobile Radio Service.	47 U.S.C. Sec. 154, 303.

SECTION NUMBER	TITLE DESCRIPTION	PRIORITY	FY/QTR	ID	PROP ACTION	ULTIM ACTION	REMARKS
22.17	Demonstrations of financial qualifications.		84		e	e	

PART/SUB	TITLE DESCRIPTION	NEED	LEGAL BASIS
22C	Technical Standards		47 U.S.C. 154, 303,307

SECTION NUMBER	TITLE DESCRIPTION	PRIORITY	FY/QTR	ID	PROP ACTION	ULTIM ACTION	REMARKS
22.102	Frequency measuring or calibrating apparatus.	1	84		e	e	
22.111	Simultaneous use of common antenna structure.	1	84		e	e	
22.113	Marking of antenna structures.	1	84		e	e	
22.114	Temporary fixed antenna height restrictions.	1	84	01	e	e	
22.116	Topographical data.	2	84	01	e	e	
22.118	transmitter construction and installation.	1	84		e	e	
22.122	Microwave digital modulation.	1	84	01	e	e	

PART/SUB	TITLE DESCRIPTION	NEED	LEGAL BASIS
22D	Technical Operations		U.S.C. 47

SECTION NUMBER	TITLE DESCRIPTION	PRIORITY	FY/QTR	ID	PROP ACTION	ULTIM ACTION	REMARKS
22.203	Posting of operation licenses.	1	84	01	e	e	
22.204	Fcc publication required for reference.	1	84	01	e	e	
22.206	Inspection and maintenance of antenna structure marking and lighting, and associated control	1	84		e	e	
22.207	Transmitter measurements.	1	84	01	e	e	
22.209	Communications concerning safety of life and property.	1	84		e	e	
22.211	Suspension of transmission.	1	84		e	e	
22.214	Operation of stations at temporary fixed locations for communication between the United State and	1	84	01	e	e	

PART/SUB	TITLE DESCRIPTION	NEED	LEGAL BASIS
22E	Miscellaneous	These rules prescribe miscellaneous requirements in the Public Mobile Radio Service.	47 U.S.C. Sec. 154, 303.

SECTION NUMBER	TITLE DESCRIPTION	PRIORITY	FY/QTR	ID	PROP ACTION	ULTIM ACTION	REMARKS
22.300	Business records.	1	83	01	e	e	

22.301	National defense; free service.	1	84	01	e	e	
22.305	Reports required concerning amendments to charters and partnership agreements.	1	84		e	e	
22.306	Requirement that permittees and licensees respond to offical communications.	1	84		e	e	

PART/SUB	TITLE DESCRIPTION	NEED	LEGAL BASIS
22G	Domestic Public Land Mobile Radio Service	These rules prescribe standards for the Domestic Public Land Mobile Radio Service in the Public Mobile Radio Service.	47 U.S.C. Sec. 154, 303.

SECTION NUMBER	TITLE DESCRIPTION	PRIORITY	FY/QTR	ID	PROP ACTION	ULTIM ACTION	REMARKS
22.510	Base stations may be authorized only as part of integrated radio system.	1	84		e	e	
22.511	Communication service to own mobile units.	1	84	01	e	e	
22.512	Priorities for service to subscribers.	1	84		e	e	
22.513	Location of message center.	1	84		e	e	
22.520	Notification of operation of dispatch station without specific authorization.	1	84	01	e	e	

PART/SUB	TITLE DESCRIPTION	NEED	LEGAL BASIS
22H	Rural Radio Service	These rules prescribe standards for the rural radio service in the Public Mobile Radio Services.	47 U.S.C. Sec. 154, 303.

SECTION NUMBER	TITLE DESCRIPTION	PRIORITY	FY/QTR	ID	PROP ACTION	ULTIM ACTION	REMARKS
22.602	Transmitter power.	1	84		e	e	
22.603	Types of emission.	1	84	01	e	e	
22.611	Notification of station operation at temporary locations.	1	84	01	e	e	

PART/SUB	TITLE DESCRIPTION	NEED	LEGAL BASIS
22L	Offshore Radio Telecommunications Service	These rules prescribe standards for the Offshore Radio Telecommunications Service in the Public Mobile Radio Services.	47 U.S.C. Sec. 154, 303.

SECTION NUMBER	TITLE DESCRIPTION	PRIORITY	FY/QTR	ID	PROP ACTION	ULTIM ACTION	REMARKS
22.1007	Modification of station operation at temporary locations.	1	84	01	e	e	

PART/SUB	TITLE DESCRIPTION	NEED	LEGAL BASIS
31	Uniform Systems of Accounts for Class A & B Telephone Companies General		47 U.S.C.

SECTION NUMBER	TITLE DESCRIPTION	PRIORITY	FY/QTR	ID	PROP ACTION	ULTIM ACTION	REMARKS
31.01-1	Classification of companies.	1	85	01	m	e	Will be superseded by proposed Part 32
31.01-2	Records.	1	85	01	m	e	Will be superseded by proposed Part 32
31.01-4	Unaudited Items.		85	01	m	e	Will be superseded by proposed Part 32.
31.01-5	Delayed items.	1	85	01	m	e	Will be superseded by proposed Part 32
31.01-6	Spreading of income, revenue, and expense items.	1	85	01	m	e	Will be superseded by Proposed Part 32
31.01-7	Profits and losses from foreign exchange.	1	85	01	m	e	Will be superseded by proposed Part 32
31.01-8	Item lists.	1	85	01	m	e	Will be superseded by proposed Part 32
31.01-9	Submission of questions.	1	85	01	m	e	Will be superseded by proposed Part 32
31.01-9A	Sequence of accounts.	1	85	01	m	e	Will be superseded by proposed Part 32
31.02-81	Depreciation charges.	1	85	01	m	e	Will be superseded by proposed Part 32
31.02-83	Plant retired for causes not factors in depreciation.	1	85	01	m	e	Will be superseded by proposed Part 32
31.02-84	Plant retired compensated for by termination charges.	1	85	01	m	e	Will be superseded by proposed Part 32
31.1-10	Purpose of balance sheet accounts.	1	85	01	m	e	Will be superseded by proposed Part 32
31.1-11	Current assets.	1	85	01	m	e	Will be superseded by proposed Part 32
31.1-12	Book cost of securities owned.	1	85	01	m	e	Will be superseded by proposed Part 32
31.1-13	Company securities owned.	1	85	01	m	e	Will be superseded by proposed Part 32
31.1-14	Discount and premium on capital stock.	1	85	01	m	e	Will be superseded by proposed Part 32
31.1-15	Discount, premium, and expense on long-term debt.	1	85	01	m	e	Will be superseded by proposed Part 32
31.1-16	Exchange of securities.	1	85	01	m	e	Will be superseded by proposed Part 32
31.1-17	Contingent assets and liabilities.	1	85	01	m	e	Will be superseded by proposed Part 32
31.102	Other investments.	1	85	01	m	e	Will be superseded by proposed Part 32
31.104	Sinking funds.	1	85	01	m	e	Will be superseded by proposed Part 32
31.105	Company securities owned.	1	85	01	m	e	Will be superseded by proposed Part 32
31.113	Cash.	1	85	01	m	e	Will be superseded by proposed Part 32
31.115	Working funds.	1	85	01	m	e	Will be superseded by proposed Part 32
31.116	Temporary cash investments.	1	85	01	m	e	Will be superseded by proposed Part 32
31.118	Due from customers and agents.	1	85	01	m	e	Will be superseded by proposed Part 32

31.1202	Other accounts receivable.	1	85	01	m	e	Will be superseded by proposed Part 32
31.123	Other current assets.	1	85	01	m	e	Will be superseded by proposed Part 32
31.126	Subscriptions to capital stock.	1	85	01	m	e	Will be superseded by proposed Part 32
31.127	Subscriptions to funded debt.	1	85	01	m	e	Will be superseded by proposed Part 32
31.129	Prepaid rents.	1	85	01	m	e	Will be superseded by proposed Part 32
31.130	Prepaid taxes.	1	85	01	m	e	Will be superseded by proposed Part 32
31.132	Prepaid directory expenses.	1	85	01	m	e	Will be superseded by proposed Part 32
31.133	Other prepayments.	1	85	01	m	e	Will be superseded by proposed Part 32
31.135	Discount on long-term debt.	1	85	01	m	e	Will be superseded by proposed Part 32
31.136	Provident funds.	1	85	01	m	e	Will be superseded by proposed Part 32
31.137	Insurance and other funds.	1	85	01	m	e	Will be superseded by proposed Part 32
31.139	Other deferred charges.	1	85	01	m	e	Will be superseded by proposed Part 32
31.150	Capital stock.	1	85	01	m	e	Will be superseded by proposed Part 32
31.151	Stock liability for conversion.	1	85	01	m	e	Will be superseded by proposed Part 32
31.152	Premium on capital stock.	1	85	01	m	e	Will be superseded by proposed Part 32
31.1531	Capital stock subscribed.	1	85	01	m	e	Will be superseded by proposed Part 32
31.155	Receivers' certificates.	1	85	01	m	e	Will be superseded by proposed Part 32
31.156	Advances from affiliated companies.	1	85	01	m	e	Will be superseded by proposed Part 32
31.157	Other long-term debt.	1	85	01	m	e	Will be superseded by proposed Part 32
31.160	Customers' deposits.	1	85	01	m	e	Will be superseded by proposed Part 32
31.162	Matured interest and dividends.	1	85	01	m	e	Will be superseded by proposed Part 32
31.163	Matured long-term debt	1	85	01	m	e	Will be superseded by proposed Part 32
31.164	Advance billing and payments.	1	85	01	m	e	Will be superseded by proposed Part 32
31.165	Other current liabilities.	1	85	01	m	e	Will be superseded by proposed Part 32
31.166	Taxes accrued.	1	85	01	m	e	Will be superseded by proposed Part 32
31.167	Unmatured interest, dividends, and rents accrued.	1	85	01	m	e	Will be superseded by proposed Part 32
31.168	Premium on long-term debt.	1	85	01	m	e	Will be superseded by proposed Part 32
31.169	Insurance reserve.	1	85	01	m	e	Will be superseded by proposed Part 32
31.170	Provident reserve.	1	85	01	m	e	Will be superseded by proposed Part 32
31.171	Depreciation reserve.	1	85	01	m	e	Will be superseded by proposed Part 32

31.172	Amortization reserve.	1	85	01	m	e	Will be superseded by proposed Part 32
31.173	Employment stabilization reserve.	1	85	01	m	e	Will be superseded by proposed Part 32
31.174	Other deferred credits.	1	85	01	m	e	Will be superseded by proposed Part 32
31.179	Other capital.	1	85	01	m	e	Will be superseded by proposed Part 32
31.180	Retained earnings reserved.	1	85	01	m	e	Will be superseded by proposed Part 32
31.181	Unappropriated retained earnings.	1	85	01	m	e	Will be superseded by proposed Part 32
31.2-22	Cost of construction.	1	85	01	m	e	Will be superseded by proposed Part 32
31.2-22A	Overhead construction costs.	1	85	01	m	e	Will be superseded by proposed Part 32
31.2-23	Improvements to leased telephone plant.	1	85	01	m	e	Will be superseded by proposed Part 32
31.2-24	Retirement units.	1	85	01	m	e	Will be superseded by proposed Part 32
31.2-25	Telephone plant retired.	1	85	01	m	e	Will be superseded by proposed Part 32
31.2-26	Continuing property record required.	1	85	01	m	e	Will be superseded by proposed Part 32
31.201	Organization.	1	85	01	m	e	Will be superseded by proposed Part 32
31.202	Franchises.	1	85	01	m	e	Will be superseded by proposed Part 32
31.203	Patent rights.	1	85	01	m	e	Will be superseded by proposed Part 32
31.211	Land.	1	85	01	m	e	Will be superseded by proposed Part 32
31.212	Buildings.	1	85	01	m	e	Will be superseded by proposed Part 32
31.264	Vehicles and other work equipment.	1	85	01	m	e	Will be superseded by proposed Part 32
31.276	Telephone plant acquired.	1	85	01	m	e	Will be superseded by proposed Part 32
31.277	Telephone plant sold.	1	85	01	m	e	Will be superseded by proposed Part 32
31.3-31	Income from sinking and other funds.	1	85	01	m	e	Will be superseded by proposed Part 32
31.3-32	Normalization accounting for tax differentials resulting from the use of accelerated depreciation	1	85	01	m	e	Will be superseded by proposed Part 32
31.300	Operating revenues.	1	85	01	m	e	Will be superseded by proposed Part 32
31.301	Operating expenses.	1	85	01	m	e	Will be superseded by proposed Part 32
31.302	Rent from lease of operating property.	1	85	01	m	e	Will be superseded by proposed Part 32
31.303	Rent for lease of operating property.	1	85	01	m	e	Will be superseded by proposed Part 32
31.304	Investment credits-net.	1	85	01	m	e	Will be superseded by proposed Part 32
31.306	Federal income taxes-operating.	1	85	01	m	e	Will be superseded by proposed Part 32
31.307	Other operating taxes.	1	85	01	m	e	Will be superseded by proposed Part 32
31.308:1	Operating Federal income taxes deferred-accelerated tax depreciation.	1	85	01	m	e	Will be superseded by proposed Part 32
31.308:2	Operating Federal income taxes deferred-other.	1	85	01	m	e	Will be superseded by proposed Part 32

31.309	Income credits and charges resulting from prior deferrals of Federal income taxes.	1	85	01	m	e	Will be superseded by proposed Part 32
31.312	Dividend income.	1	85	01	m	e	Will be superseded by proposed Part 32
31.313	Interest income.	1	85	01	m	e	Will be superseded by proposed Part 32
31.314	Income from sinking and other funds.	1	85	01	m	e	Will be superseded by proposed Part 32
31.315	Income from miscellaneous physical property.	1	85	01	m	e	Will be superseded by proposed Part 32
31.323	Miscellaneous income charges.	1	85	01	m	e	Will be superseded by proposed Part 32
31.326	Federal income taxes-nonoperating.	1	85	01	m	e	Will be superseded by proposed Part 32
31.327	Other nonoperating taxes.	1	85	01	m	e	Will be superseded by proposed Part 32
31.335	Interest on funded debt.	1	85	01	m	e	Will be superseded by proposed Part 32
31.336	Other interest deductions.	1	85	01	m	e	Will be superseded by proposed Part 32
31.338	Amortization of discount on long-term debt.	1	85	01	m	e	Will be superseded by proposed Part 32
31.339	Release of premium on long-term debt-cr.	1	85	01	m	e	Will be superseded by proposed Part 32
31.340	Other fixed charges.	1	85	01	m	e	Will be superseded by proposed Part 32
31.360	Extraordinary income credits.	1	85	01	m	e	Will be superseded by proposed Part 32
31.365	Delayed income credits.	1	85	01	m	e	Will be superseded by proposed Part 32
31.370	Extraordinary income charges.	1	85	01	m	e	Will be superseded by proposed Part 32
31.375	Delayed income charges.	1	85	01	m	e	Will be superseded by proposed Part 32
31.380	Income tax effect of extraordinary and delayed items-net.	1	85	01	m	e	Will be superseded by proposed Part 32
31.4-40	Purpose of retained earnings accounts.	1	85	01	m	e	Will be superseded by proposed Part 32
31.400	Balance transferred from income accounts.	1	85	01	m	e	Will be superseded by proposed Part 32
31.402	Miscellaneous credits to retained earnings.	1	85	01	m	e	Will be superseded by proposed Part 32
31.413	Miscellaneous debits to retained earnings.	1	85	01	m	e	Will be superseded by proposed Part 32
31.415	Reservations of retained earnings.	1	85	01	m	e	Will be superseded by proposed Part 32
31.416	Dividends declared.	1	85	01	m	e	Will be superseded by proposed Part 32
31.5-50	Purpose of operating revenue accounts.	1	85	01	m	e	Will be superseded by proposed Part 32
31.5-51	Deductions from revenues.	1	85	01	m	e	Will be superseded by proposed Part 32
31.5-52	Commissions.	1	85	01	m	e	Will be superseded by proposed Part 32
31.5-53	Operating revenue accounts to be maintained.	1	85	01	m	e	Will be superseded by proposed Part 32
31.500	Subscribers' station revenues.	1	85	01	m	e	Will be superseded by proposed Part 32
31.501	Public telephone revenues.	1	85	01	m	e	Will be superseded by proposed Part 32

31.503	Service stations.	1	85	01	m	e	Will be superseded by proposed Part 32
31.504	Local private line services.	1	85	01	m	e	Will be superseded by proposed Part 32
31.506	Other local service revenues.	1	85	01	m	e	Will be superseded by proposed Part 32
31.510	Message tolls.	1	85	01	m	e	Will be superseded by proposed Part 32
31.511	Wide area toll services.	1	85	01	m	e	Will be superseded by proposed Part 32
31.512	Toll private line services.	1	85	01	m	e	Will be superseded by proposed Part 32
31.516	Other toll service revenues.	1	85	01	m	e	Will be superseded by proposed Part 32
31.521	Telegraph commissions.	1	85	01	m	e	Will be superseded by proposed Part 32
31.523	Directory advertising and sales.	1	85	01	m	e	Will be superseded by proposed Part 32
31.524	Rent revenues.	1	85	01	m	e	Will be superseded by proposed Part 32
31.525	Revenues from general services and licenses.	1	85	01	m	e	Will be superseded by proposed Part 32
31.526	Other operating revenues.	1	85	01	m	e	Will be superseded by proposed Part 32
31.530	Uncollectible operating revenues-dr.	1	85	01	m	e	Will be superseded by proposed Part 32
31.6-62	Joint operating expenses.	1	85	01	m	e	Will be superseded by proposed Part 32
31.6-63	Distribution of pay and expenses of employees.	1	85	01	m	e	Will be superseded by proposed Part 32
31.602:1	Repairs of pole lines.	1	85	01	m	e	Will be superseded by proposed Part 32
31.602:5	Repairs of submarine cable.	1	85	01	m	e	Will be superseded by proposed Part 32
31.602:7	Repairs of underground conduit.	1	85	01	m	e	Will be superseded by proposed Part 32
31.602:8	Shop repairs and salvage adjustments.	1	85	01	m	e	Will be superseded by proposed Part 32
31.603	Test desk work.	1	85	01	m	e	Will be superseded by proposed Part 32
31.604	Repairs of central office equipment.	1	85	01	m	e	Will be superseded by proposed Part 32
31.606	Repairs of building and grounds.	1	85	01	m	e	Will be superseded by proposed Part 32
31.609	Extraordinary retirements.	1	85	01	m	e	Will be superseded by proposed Part 32
31.610	Maintaining transmission power.	1	85	01	m	e	Will be superseded by proposed Part 32
31.611	Employment stabilization.	1	85	01	m	e	Will be superseded by proposed Part 32
31.612	Other maintenance expenses.	1	85	01	m	e	Will be superseded by proposed Part 32
31.613	Amortization of intangible property.	1	85	01	m	e	Will be superseded by proposed Part 32
31.614	Amortization of telephone plant acquisition adjustment.	1	85	01	m	e	Will be superseded by proposed Part 32
31.621	General traffic supervision.	1	85	01	m	e	Will be superseded by proposed Part 32
31.622	Service inspection and customer instruction.	1	85	01	m	e	Will be superseded by proposed Part 32
31.624	Operators' wages.	1	85	01	m	e	Will be superseded by proposed Part 32

31.626	Rest and lunch rooms.	1	85	01	m	e	Will be superseded by proposed Part 32
31.627	Operators' employment and training.	1	85	01	m	e	Will be superseded by proposed Part 32
31.629	Central office stationary and printing.	1	85	01	m	e	Will be superseded by proposed Part 32
31.630	Central office house service.	1	85	01	m	e	Will be superseded by proposed Part 32
31.631	Miscellaneous central office expenses.	1	85	01	m	e	Will be superseded by proposed Part 32
31.632	Public telephone expenses.	1	85	01	m	e	Will be superseded by proposed Part 32
31.633	Other traffic expenses.	1	85	01	m	e	Will be superseded by proposed Part 32
31.634	Joint traffic expenses.-dr.	1	85	01	m	e	Will be superseded by proposed Part 32
31.635	Joint traffic expense-cr.	1	85	01	m	e	Will be superseded by proposed Part 32
31.640	General commercial administration.	1	85	01	m	e	Will be superseded by proposed Part 32
31.642	Advertising.	1	85	01	m	e	Will be superseded by proposed Part 32
31.643	Sales expense.	1	85	01	m	e	Will be superseded by proposed Part 32
31.644	Connecting company relations.	1	85	01	m	e	Will be superseded by proposed Part 32
31.645	Local commercial operations.	1	85	01	m	e	Will be superseded by proposed Part 32
31.648	Public telephone commissions.	1	85	01	m	e	Will be superseded by proposed Part 32
31.649	Directory expenses.	1	85	01	m	e	Will be superseded by proposed Part 32
31.650	Other commercial expenses.	1	85	01	m	e	Will be superseded by proposed Part 32
31.661	Executive department.	1	85	01	m	e	Will be superseded by proposed Part 32
31.662	Accounting department.	1	85	01	m	e	Will be superseded by proposed Part 32
31.663	Treasury department.	1	85	01	m	e	Will be superseded by proposed Part 32
31.664	Law department.	1	85	01	m	e	Will be superseded by proposed Part 32
31.665	Other general office salaries and expenses.	1	85	01	m	e	Will be superseded by proposed Part 32
31.668	Insurance.	1	85	01	m	e	Will be superseded by proposed Part 32
31.669	Accidents and damages.	1	85	01	m	e	Will be superseded by proposed Part 32
31.671	Operating rents.	1	85	01	m	e	Will be superseded by proposed Part 32
31.672	Relief and pensions.	1	85	01	m	e	Will be superseded by proposed Part 32
31.673	Telephone franchise requirements.	1	85	01	m	e	Will be superseded by proposed Part 32
31.674	General services and licenses.	1	85	01	m	e	Will be superseded by proposed Part 32
31.675	Other expenses.	1	85	01	m	e	Will be superseded by proposed Part 32
31.676	Telephone franchise requirements--cr.	1	85	01	m	e	Will be superseded by proposed Part 32

PART/SUB	TITLE DESCRIPTION	NEED	LEGAL BASIS
01	Practice and Procedure		
F	Private Radio Services A pplications and Proceedings	These rules prescribe filing criteria, application forms and procedures for private radio services.	47 U.S.C. Sec. 154, 303.

SECTION NUMBER	TITLE DESCRIPTION	PRIORITY	FY/QTR	ID	PROP ACTION	ULTIM ACTION	REMARKS
1.915	Shared use of broadcast antenna structure.	2	83/2	01	e	e	R&O PR 83-991 (7/84)
1.927	Application for ship radio inspection or periodical survey of ships subject to compulsory	4	84/3	01	e	e	Deleted by Part 1 Order, 50 FR 37190 (9/13/85)
1.928	Radio inspection or periodical survey.	4	84/3	01	e	e	Deleted by Part 1 Order, 50 FR 37190 (9/12/85)
1.929	Application for exemption from compulsory ship radio requirements.	4	84/3	01	e	e	Deleted by Part 1 Order, 50 FR 37190 (9/12/85)
1.930	Application for temporary waiver of annual inspection.	4	84/3	01	e	e	Deleted by Part 1 Order, 50 FR 37190 (9/12/85)
1.932	Time in which station must be placed in operation.	4	84/3		e	e	Part 1 Order
1.956	Rented communications equipment.	2	83/2	01	e	e	R&O PR 83-991 (7/84)

PART/SUB	TITLE DESCRIPTION	NEED	LEGAL BASIS
81	Stat. on Land in the Mari. Serv. and Alaska-Public Fixed Services		
B	Applications	These rules prescribe general filing requirements and application procedures for the maritime service.	47 U.S.C. Sec. 154, 303, 307.

SECTION NUMBER	TITLE DESCRIPTION	PRIORITY	FY/QTR	ID	PROP ACTION	ULTIM ACTION	REMARKS
81.26	Informal applications.	1	83/1	01	e	e	r&o, pr 82-798
81.49	Supplemental information for public coast stations.	4	83/1	01	e	e	r&o pr 82-798 (5/26/83)

PART/SUB	TITLE DESCRIPTION	NEED	LEGAL BASIS
81C	Station Authorization	These rules prescribe standards for station authorization in the maritime service.	47 U.S.C. Sec. 154, 303, 307.

SECTION NUMBER	TITLE DESCRIPTION	PRIORITY	FY/QTR	ID	PROP ACTION	ULTIM ACTION	REMARKS
81.66	Stations on land in Alaska for public correspondence.	3	84/4	01	e	e	R&O pr 84-464 Alaska Public Fixed (7/30/84)
81.69	[Reserved]	1	82/3	01	e	e	Order, 31442, 5/18/82
81.75	Notice of voluntary discontinuance, reduction, or impairment of service.	2	83/1	01	e	e	r&o pr 82-798

PART/SUB	TITLE DESCRIPTION	NEED	LEGAL BASIS
05F	Experimental Service (Developmental)	These rules prescribe licensing eligibility, scope of service and reporting requirements for experimental service for developmental purposes.	47 U.S.C. Sec. 154, 301, 303.

SECTION NUMBER	TITLE DESCRIPTION	PRIORITY	FY/QTR	ID	PROP ACTION	ULTIM ACTION	REMARKS
5.251	Eligibility for license.	1	82/2		m	e	
5.252	Scope of service.	1	82/2		r	e	
5.253	Frequencies for Experimental Service (Developmental .	1	82/2		r	e	
5.254	Frequencies for filed strength surveys or equipment demonstrations.	1	82/2		r	e	
5.255	Experimental report.	1	82/2	01	m	e	

PART/SUB	TITLE DESCRIPTION	NEED	LEGAL BASIS
05H	Student Authorizations	These rules prescribe licensing eligibility and waiver procedures for students, to permit experiments and technical demonstrations.	47 U.S.C. Sec. 154,301,303.

SECTION NUMBER	TITLE DESCRIPTION	PRIORITY	FY/QTR	ID	PROP ACTION	ULTIM ACTION	REMARKS
5.404	Waiver of operator requirement.	1	82/3		r	e	

PART/SUB	TITLE DESCRIPTION	NEED	LEGAL BASIS
15	Radio Frequency Devices		
D	Low Power Communication Devices: General Requirements	These rules prescribe certification, specification and operational requirements for low power communications devices.	47 U.S.C. Sec. 301, 302, 303.

SECTION NUMBER	TITLE DESCRIPTION	PRIORITY	FY/QTR	ID	PROP ACTION	ULTIM ACTION	REMARKS
15.135	Certification procedure: Device manufactured between 1957 and 1975.	2	82/2		e	e	
15.136	Location of certificate on device manufactured between 1957 and 1975.	2	82/2		e	c	

PART/SUB	TITLE DESCRIPTION	NEED	LEGAL BASIS
15E	Low Power Communication Devices: Specific Devices	These rules prescribe certification, specifications, and operational requirements for specific low power communication devices.	47 U.S.C. Sec. 301, 302, 303.

SECTION NUMBER	TITLE DESCRIPTION	PRIORITY	FY/QTR	ID	PROP ACTION	ULTIM ACTION	REMARKS

PART/SUB	TITLE DESCRIPTION	NEED	LEGAL BASIS
02	Frequency Allocations and Radio Treaty Matters Gen		
G	Treaties and other International Agreements	These rules provide citations to all treaties and other international agreements affecting radio communications between the U.S.A. and other powers.	47 U.S.C. Sec. 154, 303.

SECTION NUMBER	TITLE DESCRIPTION	PRIORITY	FY/QTR	ID	PROP ACTION	ULTIM ACTION	REMARKS
2.603	Treaties and intl. agreements relating to radio		82/3		m	e	

PART/SUB	TITLE DESCRIPTION	NEED	LEGAL BASIS
05	Experimental Radio Services (Other than Broadcast)		
A	General	These rules define terms associated with Experimental Radio Services.	47 U.S.C. Sec. 154, 301, 303.

SECTION NUMBER	TITLE DESCRIPTION	PRIORITY	FY/QTR	ID	PROP ACTION	ULTIM ACTION	REMARKS
5.2	Services available.		82/2		r	e	

PART/SUB	TITLE DESCRIPTION	NEED	LEGAL BASIS
05C	Technical Standards	These rules prescribe technical standards for frequencies used in Experimental Radio Services.	47 U.S.C. Sec. 154, 301, 303.

SECTION NUMBER	TITLE DESCRIPTION	PRIORITY	FY/QTR	ID	PROP ACTION	ULTIM ACTION	REMARKS
5.104	Modulation requirements.	1	82/2	01	r	e	
5.105	Power and antenna height.	1	82/2	01	r	e	
5.107	Transmitter measurements.	1	82/2	01	r	e	

PART/SUB	TITLE DESCRIPTION	NEED	LEGAL BASIS
05D	Operating Requirements	These rules prescribe operating requirements for Experimental Radio Service.	47 U.S.C. Sec. 154, 301, 303.

SECTION NUMBER	TITLE DESCRIPTION	PRIORITY	FY/QTR	ID	PROP ACTION	ULTIM ACTION	REMARKS
5.154	Mobile installations in vehicles not under the continuous control of the licensee	1	82/2		r	e	
5.156	Evidence of operator license.	1	82/2	01	r	e	

REGULATORY REVIEW PLAN
Field Operations Bureau

PART/SUB	TITLE DESCRIPTION	NEED	LEGAL BASIS
13	Commercial Radio Operators General, applications, examinations, code tests, authority, misc.		47 U.S.C. 154, 303, 307

SECTION NUMBER	TITLE DESCRIPTION	PRIORITY	FY/QTR	ID	PROP ACTION	ULTIM ACTION	REMARKS
13.13	Age limit, restricted radiotelephone operator permit.	2	82/2		e	e	Deleted by admin. order adpt. 10/1/84.
13.6	Operator license, posting of.	2	82/2		e	e	Deleted by admin. order adpt 5/28/82
13.64	Obedience to lawful orders.	2	82/2		e	e	Deleted by admin. order adpt. 10/1/84.
13.65	Damage to apparatus.	2	82/2		e	e	Deleted by admin. order adpt. 10/1/84.
13.66	Unnecessary, unidentifield, or superfluous communications.	2	82/2		e	e	Deleted by admin. order adpt. 10/1/84.
13.67	Obscenity, indecency, profanity.	2	82/2		e	e	Deleted by admin. order adpt. 10/1/84.
13.68	False signals.	2	82/2		e	e	Deleted by admin. order adpt. 10/1/84.
13.69	Interference.	2	82/2		e	e	Deleted by admin. order adpt. 10/1/84.

15.182	Operation above 70 MHz:Devices manufactured prior to July 15, 1963.	2	82/2		e	e	
15.183	Operation above 70 MHz: Devices manufactured between 1963 and 1971.	2	82/2		e	e	

PART/SUB	TITLE DESCRIPTION	NEED	LEGAL BASIS
15G	Auditory Assistance Devices	These rules specify technical criteria for the operation of restricted radiation devices as auditory assistance devices.	47 U.S.C. Sec :31, 302, 303.

SECTION NUMBER	TITLE DESCRIPTION	PRIORITY	FY/QTR	ID	PROP ACTION	ULTIM ACTION	REMARKS
15.361	Receiver frequency stability (72-76 MHz).	2	82/2		e	e	
15.363	Receiver selectivity and desensitization (72-76 MHz).	2	82/2		e	e	
15.365	Receiver image frequency rejection (72-76 MHz).	2	82/2		e	e	

PART/SUB	TITLE DESCRIPTION	NEED	LEGAL BASIS
15H	Class 1 TV Devices	These rules specify technical criteria for the operation of Class 1 TV devices.	47 U.S.C. Sec. 301, 302, 303.

SECTION NUMBER	TITLE DESCRIPTION	PRIORITY	FY/QTR	ID	PROP ACTION	ULTIM ACTION	REMARKS
15.401	Conditions of operation.	2	82/2		e	e	
15.402	Cross reference.	2	82/2		e	e	
15.403	Output signal level.	2	82/2		e	e	
15.405	Output terminals.	2	82/2		e	e	
15.407	Transfer switch and isolation requirement.	2	82/2		e	e	
15.409	Output terminal conducted interference limits.	2	82/2		e	e	
15.411	Type approval.	2	82/2	01	e	e	
15.413	Certification of built-in tuner.	2	82/2	01	e	e	
15.415	Identification of a Class I TV device.	2	82/2		e	e	
15.417	Measurement of field strength.	2	82/2		e	e	
15.419	Radiation interference limits.	2	82/2		e	e	
15.421	Line-conducted interference limits.	2	82/2		e	e	
15.423	Interference from a Class I TV device.	2	82/2		e	e	

PART/SUB	TITLE DESCRIPTION	NEED	LEGAL BASIS
18	Industrial, Scientific and Medical Equipment.		
D	Industrial Heating Equipment	These rules specify certification requirements for industrial heating equipment which emits radio frequencies to prevent the propagation of harmful interference.	47 U.S.C. Sec. 154(i), 301, 303(r).

SECTION NUMBER	TITLE DESCRIPTION	PRIORITY	FY/QTR	ID	PROP ACTION	ULTIM ACTION	REMARKS
18.106	Renewal of certificate.	4	83/1	01	e	e	
18.109	Report of radiation measurements.	4	83/1	01	e	e	
18.111	Form of certififcate.	4	83/1	01	e	e	
18.112	Certification regarding operation.	4	83/1	01	e	e	
18.113	Certification regarding radiation.	4	83/1	01	e	e	
18.115	Compliance with installation instructions.	4	83/1	01	e	e	
18.116	Certificate to be filed with Commission.	4	83/1	01	e	e	
18.126	Information to be filed for prototype certificatio	4	83/1	01	e	e	

PART/SUB	TITLE DESCRIPTION	NEED	LEGAL BASIS
18H	Miscellaneous Equipment	These rules specify technical operating limits and certification requirements for miscellaneous equipment which emits radio frequencies to prevent the propagation of harmful interference.	47 U.S.C. Sec. 154(i), 301, 303(r).

SECTION NUMBER	TITLE DESCRIPTION	PRIORITY	FY/QTR	ID	PROP ACTION	ULTIM ACTION	REMARKS
18.261	Miscellaneous equipment.		83/1		e	e	

31.677	Expenses charged construction--cr.	1	85	01	m	e	Will be superseded by proposed Part 32
31.7-70	Purpose of clearing accounts.	1	85	01	m	e	Will be superseded by proposed Part 32
31.702	Vehicle and other work equipment expense.	1	85	01	m	e	Will be superseded by proposed Part 32
31.704	Supply expense.	1	85	01	m	e	Will be superseded by proposed Part 32
31.705	Engineering expense.	1	85	01	m	e	Will be superseded by proposed Part 32
31.706	Plant supervision expense.	1	85	01	m	e	Will be superseded by proposed Part 32
31.707	House service expense.	1	85	01	m	e	Will be superseded by proposed Part 32

PART/SUB	TITLE DESCRIPTION	NEED	LEGAL BASIS
33	Uniform Systems of Accounts for Class C Telephone Companies Classification of Companies; Definitions; Innstructions; GEneral		47 U.S.C.

SECTION NUMBER	TITLE DESCRIPTION	PRIORITY	FY/QTR	ID	PROP ACTION	ULTIM ACTION	REMARKS
31.1532	Proprietary capital.	1	85	01	m	e	Will be superseded by proposed Part 32
33.1	Classification of companies.	1	85	01	m	e	Will be superseded by proposed Part 32
33.1000	Telephone plant.	1	85	01	m	e	Will be superseded by proposed Part 32
33.1001	Organization.	1	85	01	m	e	Will be superseded by proposed Part 32
33.1002	Franchises.	1	85	01	m	e	Will be superseded by proposed Part 32
33.1005	Miscellaneous intangible property.	1	85	01	m	e	Will be superseded by proposed Part 32
33.1007	Right of way.	1	85	01	m	e	Will be superseded by proposed Part 32
33.101	Contemplated form of balance sheet		85	01	m	e	Will be superseded by proposed Part 32
33.1011	Land.	1	85	01	m	e	Will be superseded by proposed Part 32
33.1012	Buildings.	1	85	01	m	e	Will be superseded by proposed Part 32
33.102	Contemplated form of income statement		85	01	m	e	Will be superseded by proposed Part 32
33.1021	Central office equipment.	1	85	01	m	e	Will be superseded by proposed Part 32
33.1031	Station equipment.	1	85	01	m	e	Will be superseded by proposed Part 32
33.1032	Station wiring.	1	85	01	m	e	Will be superseded by proposed Part 32
33.1045	Poles, conduit, cable, and wire.	1	85	01	m	e	Will be superseded by proposed Part 32
33.1050	Other radiotelephone plant.	1	85	01	m	e	Will be superseded by proposed Part 32
33.1061	Furniture and office equipment.	1	85	01	m	e	Will be superseded by proposed Part 32
33.1064	Vehicles and other work equipment.	1	85	01	m	e	Will be superseded by proposed Part 32

33.1076	Telephone plant acquired.	1	85	01	m	e	Will be superseded by proposed Part 32
33.1077	Telephone plant sold.	1	85	01	m	e	Will be superseded by proposed Part 32
33.1100	Telephone plant under construction.	1	85	01	m	e	Will be superseded by proposed Part 32
33.12	Records.	1	85	01	m	e	Will be superseded by proposed Part 32
33.1200	Plant adjustments.	1	85	01	m	e	Will be superseded by proposed Part 32
33.13	Item lists.	1	85	01	m	e	Will be superseded by proposed Part 32
33.1300	Investments in securities.	1	85	01	m	e	Will be superseded by proposed Part 32
33.14	Submission of questions.	1	85	01	m	e	Will be superseded by proposed Part 32
33.1400	Miscellaneous physical property.	1	85	01	m	e	Will be superseded by proposed Part 32
33.15	Book cost of securities owned.	1	85	01	m	e	Will be superseded by proposed Part 32
33.1500	Fund accounts.	1	85	01	m	e	Will be superseded by proposed Part 32
33.1600	Cash.	1	85	01	m	e	Will be superseded by proposed Part 32
33.1620	Temporary investments.	1	85	01	m	e	Will be superseded by proposed Part 32
33.1640	Notes receivable.	1	85	01	m	e	Will be superseded by proposed Part 32
33.1650	Due from customers and agents.	1	85	01	m	e	Will be superseded by proposed Part 32
33.1660	Accounts receivable.	1	85	01	m	e	Will be superseded by proposed Part 32
33.1670	Interest and dividends receivable.	1	85	01	m	e	Will be superseded by proposed Part 32
33.1680	Material and supplies.	1	85	01	m	e	Will be superseded by proposed Part 32
33.1690	Other current assets.	1	85	01	m	e	Will be superseded by proposed Part 32
33.1700	Subscriptions to capital stock.	1	85	01	m	e	Will be superseded by proposed Part 32
33.1800	Prepayments.	1	85	01	m	e	Will be superseded by proposed Part 32
33.1850	Discount on capital stock.	1	85	01	m	e	Will be superseded by proposed Part 32
33.1860	Capital-stock expense.	1	85	01	m	e	Will be superseded by proposed Part 32
33.1880	Unamortized debt discount and expense.	1	85	01	m	e	Will be superseded by proposed Part 32
33.1890	Other deferred charges.	1	85	01	m	e	Will be superseded by proposed Part 32
33.1900	Reacquired securities.	1	85	01	m	e	Will be superseded by proposed Part 32
33.2010	Proprietary capital.	1	85	01	m	e	Will be superseded by proposed Part 32
33.2020	Undistributed profits.	1	85	01	m	e	Will be superseded by proposed Part 32
33.21	Capital Stock.	1	85	01	m	e	Will be superseded by proposed Part 32
33.2100	Capital stock.	1	85	01	m	e	Will be superseded by proposed Part 32

33.2130	Obligations for stock conversion.	1	85	01	m	e	Will be superseded by proposed Part 32
33.2150	Premium on capital stock.	1	85	01	m	e	Will be superseded by proposed Part 32
33.2180	Capital-stock subscriptions and installments.	1	85	01	m	e	Will be superseded by proposed Part 32
33.22	Long-term debt.	1	85	01	m	e	Will be superseded by proposed Part 32
33.2200	Funded debt.	1	85	01	m	e	Will be superseded by proposed Part 32
33.2230	Receivers' certificates.	1	85	01	m	e	Will be superseded by proposed Part 32
33.2250	Advances from affiliated companies.	1	85	01	m	e	Will be superseded by proposed Part 32
33.2290	Other long-term debt.	1	85	01	m	e	Will be superseded by proposed Part 32
33.2300	Notes payable.	1	85	01	m	e	Will be superseded by proposed Part 32
33.2320	Accounts payable.	1	85	01	m	e	Will be superseded by proposed Part 32
33.2340	Customers' deposits.	1	85	01	m	e	Will be superseded by proposed Part 32
33.2350	Matured long-term debt.	1	85	01	m	e	Will be superseded by proposed Part 32
33.2360	Advance billing and payments.	1	85	01	m	e	Will be superseded by proposed Part 32
33.2390	Other current liabilities.	1	85	01	m	e	Will be superseded by proposed Part 32
33.2400	Accrued liabilities.	1	85	01	m	e	Will be superseded by proposed Part 32
33.2500	Unamortized premium on long-term debt.	1	85	01	m	e	Will be superseded by proposed Part 32
33.2590	Other deferred credits.	1	85	01	m	e	Will be superseded by proposed Part 32
33.2600	Depreciation reserve.	1	85	01	m	e	Will be superseded by proposed Part 32
33.2700	Amortization reserve.	1	85	01	m	e	Will be superseded by proposed Part 32
33.2790	Other reserves.	1	85	01	m	e	Will be superseded by proposed Part 32
33.2800	Contributions of telephone plant.	1	85	01	m	e	Will be superseded by proposed Part 32
33.2900	Surplus.	1	85	01	m	e	Will be superseded by proposed Part 32
33.3000	Operating revenues.	1	85	01	m	e	Will be superseded by proposed Part 32
33.3010	Local service revenues.	1	85	01	m	e	Will be superseded by proposed Part 32
33.3030	Toll service revenues.	1	85	01	m	e	Will be superseded by proposed Part 32
33.3060	Miscellaneous operating revenues.	1	85	01	m	e	Will be superseded by proposed Part 32
33.3090	Uncollectible operating revenues—dr.	1	85	01	m	e	Will be superseded by proposed Part 32
33.31	Purpose of telephone plant accounts.	1	85	01	m	e	Will be superseded by proposed Part 32
33.32	Telephone plant acquired.	1	85	01	m	e	Will be superseded by proposed Part 32
33.33	Cost of construction.	1	85	01	m	e	Will be superseded by proposed Part 32
33.34	Expenditures on property leased for telephone use.	1	85	01	m	e	Will be superseded by proposed Part 32

33.35	Telephone plant retired.	1	85	01	m	e	Will be superseded by proposed Part 32
33.4000	Maintenance and operation expenses.	1	85	01	e	e	Will be superseded by proposed Part 32
33.4010	Maintenance labor.	1	85	01	e	e	Will be superseded by proposed Part 32
33.4020	Maintenance materials and supplies.	1	85	01	e	e	Will be superseded by proposed Part 32
33.4030	Station removals and changes.	1	85	01	e	e	Will be superseded by proposed Part 32
33.4090	Other maintenance expenses.	1	85	01	e	e	Will be superseded by proposed Part 32
33.41	Purpose of operating-revenue accounts.	1	85	01	e	e	Will be superseded by proposed Part 32
33.4110	Operators' wages.	1	85	01	e	e	Will be superseded by proposed Part 32
33.4120	Other traffic expenses.	1	85	01	e	e	Will be superseded by proposed Part 32
33.4150	Office salaries.	1	85	01	e	e	Will be superseded by proposed Part 32
33.4160	General services and licenses.	1	85	01	e	e	Will be superseded by proposed Part 32
33.4190	Other operation expenses.	1	85	01	e	e	Will be superseded by proposed Part 32
33.5	Restrictive use of certain terms.	1	85	01	e	e	Will be superseded by proposed Part 32
33.5000	Depreciation expense.	1	85	01	e	e	Will be superseded by proposed Part 32
33.51	Maintenance expenses.	1	85	01	e	e	Will be superseded by proposed Part 32
33.5100	Amortization of intangible property.	1	85	01	e	e	Will be superseded by proposed Part 32
33.52	Prepaid expenses.	1	85	01	e	e	Will be superseded by proposed Part 32
33.5200	Amortization of plant adjustments.	1	85	01	e	e	Will be superseded by proposed Part 32
33.53	Accrued expenses.	1	85	01	e	e	Will be superseded by proposed Part 32
33.5300	Rent for lease of telephone plant.	1	85	01	e	e	Will be superseded by proposed Part 32
33.5400	Operating taxes.	1	85	01	e	e	Will be superseded by proposed Part 32
33.5490	Investment credits; net.	1	85	01	e	e	Will be superseded by proposed Part 32
33.5500	Income taxes.	1	85	01	e	e	Will be superseded by proposed Part 32
33.5600	Rent from lease of telephone plant.	1	85	01	e	e	Will be superseded by proposed Part 32
33.6000	Interest and dividend income.	1	85	01	e	e	Will be superseded by proposed Part 32
33.61	Clearing accounts.	1	85	01	e	e	Will be superseded by proposed Part 32
33.6100	Income from miscellaneous physical property.	1	85	01	e	e	Will be superseded by proposed Part 32
33.65	Depreciation accounting.	1	85	01	e	e	Will be superseded by proposed Part 32
33.66	Plant retired compensated for by termination charges.	1	85	01	e	e	Will be superseded by proposed Part 32
33.6900	Other income, miscellaneous.	1	85	01	e	e	Will be superseded by proposed Part 32

33.7000	Miscellaneous taxes.	1	85	01	e	e	Will be superseded by proposed Part 32
33.71	Work-order system recommended.	1	85	01	e	e	Will be superseded by proposed Part 32
33.7100	Other miscellaneous deductions from income.	1	85	01	e	e	Will be superseded by proposed Part 32
33.7200	Interest on long-term debt.	1	85	01	e	e	Will be superseded by proposed Part 32
33.7300	Other interest charges.	1	85	01	e	e	Will be superseded by proposed Part 32
33.7400	Amortization of debt discount and expense.	1	85	01	e	e	Will be superseded by proposed Part 32
33.75	Accounts prescribed to be kept.	1	85	01	e	e	Will be superseded by proposed Part 32
33.7500	Amortization of premium on long-term debt—cr.	1	85	01	e	e	Will be superseded by proposed Part 32
33.7600	Interest charged to construction—cr.	1	85	01	e	e	Will be superseded by proposed Part 32
33.7900	Other fixed charges.	1	85	01	e	e	Will be superseded by proposed Part 32
33.8000	Reservations of income.	1	85	01	e	e	Will be superseded by proposed Part 32
33.81	Units of property.	1	85	01	e	e	Will be superseded by proposed Part 32
33.9000	Vehicle and other work equipment expenses—clearing.	1	85	01	e	e	Will be superseded by proposed Part 32
33.[illegible]	Definition.	1	85	01	e	e	Will be superseded by proposed Part 32
33.9100	Supply expense—clearing.	1	85	01	e	e	Will be superseded by proposed Part 32
33.92	Accounts recommended.	1	85	01	e	e	Will be superseded by proposed Part 32
33.93	Questions concerning accounts recommended for Class D companies.	1	85	nl	e	e	Will be superseded by proposed Part 32
33.94	Accounts recommended for Class D companies.	1	85	01	e	e	Will be superseded by proposed Part 32

PART/SUB	TITLE DESCRIPTION	NEED	LEGAL BASIS
34	Uniform System of Accounts for Radio Telegraph Carriers Applicability, Definitions; General Instructions		47 U.S.C.

SECTION NUMBER	TITLE DESCRIPTION	PRIORITY	FY/QTR	ID	PROP ACTION	ULTIM ACTION	REMARKS
34.1610	Miscellaneous physical property.	2	N/A	01		e	R&O 82-678 9/9/83
34.1615	Allowance for depreciation; miscellaneous physical property.	2	N/A	01		e	R&O 82-678 9/9/83
34.40	Control apparatus.	2	86	01		e	R&O 82-678 9/9/83
34.5110	Income from miscellaneous physical property.	2	N/A	01		e	R&O 82-678 9/9/83
34.5115	Income from merchandising, jobbing, and contracting.	2	N/A	01		e	R&O 82-678 9/9/83

PART/SUB	TITLE DESCRIPTION	NEED	LEGAL BASIS
35	Uniform Systems of Accounts for Wire-Telephone & Ocean-Cable Carriers: Applicability; General Instructions		47 U.S.C.

SECTION NUMBER	TITLE DESCRIPTION	PRIORITY	FY/QTR	ID	PROP ACTION	ULTIM ACTION	REMARKS
35.1610	Miscellaneous physical property.	2	86	01		e	R&O 82-678 9/9/83
35.1615	Allowance for depreciation; miscellaneous physical property.	2	86	01		e	R&O 82-678 9/9/83
35.41	Message transmitting and receiving equipment.	2	86	01		e	R&O 82-678 9/9/83
35.4150	Maintenance of real estate.	2	86	01		e	R&O 82-678 9/9/83
35.5110	Income from miscellaneous physical property.	2	86	01		e	R&O 82-678 9/9/83
35.5115	Income from merchandising, jobbing, and contracting.	2	86	01		e	R&O 82-678 9/9/83

PART/SUB	TITLE DESCRIPTION	NEED	LEGAL BASIS
42	Preservation of Records of Communication Common Carriers General		47 U.S.C.

SECTION NUMBER	TITLE DESCRIPTION	PRIORITY	FY/QTR	ID	PROP ACTION	ULTIM ACTION	REMARKS
42.6	Destruction of records.	1	83/3	01	r	e	NPRM 84-283 7/9/85
42.7	Premature destruction.	1	83/3	01	r	e	NPRM 84-283 7/9/85
42.8	Extension of period of retention of telegraph messages.	1	83/3	01	r	e	NPRM 84-283 7/9/85
42.9	List of records.	1	83/3	01	m	e	NPRM 84-283 7/9/85

PART/SUB	TITLE DESCRIPTION	NEED	LEGAL BASIS
51	Occupational Classification & Compensation of Employees of Telephone Companies: General		47 U.S.C.

SECTION NUMBER	TITLE DESCRIPTION	PRIORITY	FY/QTR	ID	PROP ACTION	ULTIM ACTION	REMARKS
51.01	Companies subject to the rules in this part.	1	83/3	01	e	e	This section was eliminated, R&O 83-666 12/22/83
51.02	Scope of the rules in this part.	1	83/3	01	e	e	This section was eliminated, R&O 83-666 12/22/83
51.03	Restrictive use of certain terms.	1	83/3	01	e	e	This section was eliminated, R&O 83-666 12/22/83
51.11	Employees included in the count.	1	83/3	01	e	e	This Section was eliminated, R&O 83-666 12/22/83
51.12	Scheduled weekly hours.	1	83/3	01	e	e	This section was eliminated, R&O 83-666 12/22/86

51.13	Scheduled weekly compensation.	1	83/3	01	e	e	This Section was eliminated, R&O 83-666 12/22/83
51.14	Hourly rate of pay.	1	83/3	01	e	e	This Section was eliminated, R&O 83-666, 12/22/83
51.31	Basis of classification.	1	83/3	01	e	e	This Section was eliminated, R&O 83-666 12/22/83
51.32	Officals and managerial assistants.	1	83/3	01	e	e	This Section was eliminated, R&O 83-666 12/22/83
51.33	Professional and semi-professional employees.	1	83/3	01	e	e	This Section was eliminated, R&O 83-666 12/22/83
51.34	Business office and sales employees.	1	83/3	01	e	e	This Section was eliminated, R&O 83-666 12/22/83
51.35	Clerical employees.	1	83/3	01	e	e	This Section was eliminated, R&O 83-666 12/22/83
51.36	Telephone operators.	1	83/3	01	e	e	This Section was eliminated, R&O 83-666 12/22/83
51.37	Construction, installation, and maintenance employees.	1	83/3	01	e	e	This Section was eliminated, R&O 83-666 12/22/83
51.38	Building, supplies, and motor vehicle employees.	1	83/3	01	e	e	This Section was eliminated, R&O 83-666 12/22/83
51.39	All other employees, not elsewhere classified.	1	83/3	01	e	e	This Section was eliminated, R&O 83-666 12/22/83

PART/SUB	TITLE DESCRIPTION	NEED	LEGAL BASIS
52	Classification of Wire-Telegraph Employees General		47 U.S.C.

SECTION NUMBER	TITLE DESCRIPTION	PRIORITY	FY/CYQ	ID	PROP ACTION	ULTIM ACTION	REMARKS
52.1	Employees.	1	83/3	01	e	e	This Section was eliminated, R&O 83-666 12/22/83
52.11	Method; time at which counted.	1	83/3	01	e	e	This Section was eliminated, R&O 83-666 12/22/83
52.21	Scheduled weekly hours.	1	83/3	01	e	e	This Section was eliminated, R&O 83-666 12/22/83
52.22	Scheduled weekly compensation.	1	83/3	01	e	e	This Section was eliminated, R&O 83-666 12/22/83
52.23	Hourly rate of pay.	1	83/3	01	e	e	This Section was eliminated, R&O 83-666 12/22/83
52.31	Basis of classification.	1	83/3	01	e	e	This Section was eliminated, R&O 83-666 12/22/83
52.32	Officials and managerial assistants.	1	83/3	01	e	e	This Section was eliminated, R&O 83-666 12/22/83
52.33	Professional and semi-professional employees.	1	83/3	01	e	e	This Section was eliminated, R&O 83-666 12/22/83
52.34	Telegraph office superintendents and managers.	1	83/3	01	e	e	This Section was eliminated, R&O 83-666 12/22/83
52.35	Sales employees.	1	83/3	01	e	e	This Section was eliminated, R&O 83-666 12/22/83
52.36	Clerical employees.	1	83/3	01	e	e	This Section was eliminated, R&O 83-666 12/22/83
52.37	Telegraph operators.	1	83/3	01	e	e	This Section was eliminated, R&O 83-666 12/22/83
52.38	Messengers.	1	83/3	01	e	e	This Section was eliminated, R&O 83-666 12/22/83

52.39	Construction, installation and maintenance employees.	1	83/3	01	e	e	This Section was eliminated, R&O 83-666 12/22/83
52.40	Building service employees.	1	83/3	01	e	e	This Section was eliminated, R&O 83-666 12/22/83
52.41	All other employees, not elsewhere classified.	1	83/3	01	e	e	This Section was eliminated, R&O 83-666 12/22/83
52.42	Employees outside of the United States.	1	83/3	01	e	e	This Section was eliminated, R&O 83-666 12/22/83

PART/SUB	TITLE DESCRIPTION	NEED	LEGAL BASIS
68	Connection of Terminal Equipment to the Telephone Network		
F	Connectors	These rules concern connectors.	47 U.S.C. Sec. 154, 155, 303.

SECTION NUMBER	TITLE DESCRIPTION	PRIORITY	FY/QTR	ID	PROP ACTION	ULTIM ACTION	REMARKS
68.504	Adapters.	1	82/4	01	r	e	Dkt. 84-885 R&O 10/85

PART/SUB	TITLE DESCRIPTION	NEED	LEGAL BASIS
68Z	Common Carrier Bureau Forms	CCB forms.	47 U.S.C. Sec. 154, 155, 303.

SECTION NUMBER	TITLE DESCRIPTION	PRIORITY	FY/QTR	ID	PROP ACTION	ULTIM ACTION	REMARKS
336	Report of Overseas Telecommunications Traffic.			02	e	e	Form (e), submission (r), 79-262; 85-219 - 5/15/85
6896	Equal Employment Opportunity Program			02	e	e	
901	Monthly Report of Revenues, Expenses, and Other Items - Telephone Companies		84	02		e	R&O - CC Docket 85-308, FCC 86- released 03/ /86
902	Annual Report of Licensee in Domestic Public Land Mobile Radio Service.				e	e	(NPRM, FCC 82-77, CC Docket No.82-85, released Feb
L	Annual Report of Licensee in Domestic Public land Mobile Radio Service (NPRM, FCC 82-77, CC Docket..		83/1	02	e	e	
P	Annual Report of Miscellaneous Common Carriers		82/4	02	e	e	

REGULATORY REVIEW PLAN
Mass Media Bureau

PART/SUB	TITLE DESCRIPTION	NEED	LEGAL BASIS
73 A	Radio Broadcast Services AM Broadcast Services	These rules prescribe policies, technical and operational standards for AM broadcast stations.	47 U.S.C. Sec. 154, 301, 303, 307.

SECTION NUMBER	TITLE DESCRIPTION	PRIORITY	FY/QTR	ID	PROP ACTION	ULTIM ACTION	REMARKS
73.035	Multiple ownership.	1	83	01		e	R&O 3/84, 49 FR 19482, MM 83-46
73.050	Requirements for type approval of AM modulation monitors.	3	83	01		e	R&O 8/83 48 FR 36459, BCD 81-698
73.056	Modulation monitors.	3	83	01		e	R&O 8/83-48FR 36495, BCD 81-698
73.066	Remote control authorizations.	4	82	01		e	R&O 12/84 - 49 FR 47608, MM 84-110
73.067	Remote control operation.	2	83	01		e	R&O 12/84 - 49 FR 47608, MM 84-110
73.093	AM operator requirements.	3	85	01		e	R&O; Order 10/85 - 50 FR 40012

PART/SUB	TITLE DESCRIPTION	NEED	LEGAL BASIS
73B	FM Broadcast Stations	These rules prescribe licensing policies, technical and operational standards for FM broadcast stations.	47 U.S.C. Sec. 154, 301, 303, 307.

SECTION NUMBER	TITLE DESCRIPTION	PRIORITY	FY/QTR	ID	PROP ACTION	ULTIM ACTION	REMARKS
73.240	Multiple ownership.	1	83	01		e	R&O 3/84 - 49 FR 19482, MM 83-46
73.253	Modulation monitors.	2	83	01		e	R&O 8/83 - 48 FR 36459, BCD 81-698
73.265	FM operator requirements.	3	85	01		e	R&O; Order 10/85 - 50 FR 40012
73.274	Remote control authorizations.	3	83	01		e	R&O 12/84 - 49 FR 47608, MM 84-110
73.275	Remote control operation.	2	83	01		e	R&O 12/84 - 49 FR 47608, MM 84-110
73.294	Nature of the SCA.	2	83	01		e	R&O 4/83 - 48 FR 38445, BCD 82-536
73.332	Requirements for type approval of FM modulation monitors.	2	83	01		e	R&O; R&O 8/83-48 FR 36459, BCD 81-698

PART/SUB	TITLE DESCRIPTION	NEED	LEGAL BASIS
73C	Noncommercial Educational FM Broadcast Stations	These rules prescribe licensing requirements, technical and operational standards for noncommercial educational stations.	47 U.S.C. Sec. 154, 301, 303, 307.

SECTION NUMBER	TITLE DESCRIPTION	PRIORITY	FY/QTR	ID	PROP ACTION	ULTIM ACTION	REMARKS

73.553	Modulation monitors.	2	83	01		e	R&O 8/83 -48 FR 36459, BCD 81-698
73.565	NCE-FM operator requirements.	3	85	01		e	R&O; Order 10/85 - 50 FR 40012
73.574	Remote control authorizations.	2	83	01		e	R&O 12/84 - 49 FR 47608, MM 84-110
73.575	Remote control operation.	2	83	01		e	R&O 12/84 - 49 FR 47608, MM 84-110
73.594	Nature of the SCA.	2	83	01		e	R&O 4/83 48 FR 28445, BC 82-536
73.595	Use of multiplex subcarriers.	2	83	01		e	R&O 4/83 48 FR 28445, BCD 82-536

PART/SUB	TITLE DESCRIPTION	NEED	LEGAL BASIS
73E	Television Broadcast Stations	These rules prescribe licensing policies, technical and operational standards for all television broadcast stations.	47 U.S.C. Sec. 154, 301, 303, 307.

SECTION NUMBER	TITLE DESCRIPTION	PRIORITY	FY/QTR	ID	PROP ACTION	ULTIM ACTION	REMARKS
73.636	Multiple ownership.	1	83	01		e	R&O 3/84 - 49 FR 19482, MM 83-46
73.661	TV operator requirements.	3	85	01		e	R&O; Order 10/85 - 50 FR 40012
73.676	Remote control operation.	2	83	01		e	R&O 12/84 - 49 FR 47608, MM 84-110
73.677	TV remote control authorizations.	3	82	01		e	R&O 12/84 - 49 FR 47608, MM 84-110
73.694	Requirements for type approval of aural modulation monitors.	2	83	01		e	R&O 8/83-48 FR 36459, BCD 81-698

PART/SUB	TITLE DESCRIPTION	NEED	LEGAL BASIS
73F	International Broadcast Stations	These rules prescribe licensing policies, technical and operational standards for international broadcast stations.	47 U.S.C. Sec. 154, 301, 303, 307.

SECTION NUMBER	TITLE DESCRIPTION	PRIORITY	FY/QTR	ID	PROP ACTION	ULTIM ACTION	REMARKS
73.710	Cross reference to rules in other parts.	4	84	01		e	Order 1/84 - 49 FR 4380
73.711	Notification of filing of applications.	4	84	01		e	Order 1/84 - 49 FR 4380
73.762	Station inspection.	4	84	01		e	Order 1/84 - 49 FR 4380
73.763	Station license and seasonal schedules, posting of	4	84	01		e	Order 1/84 - 49 FR 4380
73.767	Frequency tolerance.	4	84	01		e	Order 1/84 - 49 FR 4308
73.768	Antenna structure, marking and lighting.	4	84	01		e	Order 1/84 - 49 FR 4308
73.769	Discontinuance of operation.	4	84	01		e	Order 1/84 - 49 FR 4308
73.783	Log; by whom kept.	4	84	01		e	Order 1/84 - 49 FR 4380
73.784	Log form.	4	84	01		e	Order 1/84 - 49 FR 4380

73.785	Correction of logs.	4	84	01		e	Order 1/84 - 49 FR 4380
73.786	Rough logs.	2	83	01		e	R&O; R&O 8/83-48 FR 38473, MMD 82-537
73.789	Sponsorship identification.	4	84	01		e	Order 1/84 - 49 FR 4380
73.790	Rebroadcasts.	4	84	01		e	Order 1/84 - 49 FR 4380
73.793	Equal employment opportunities.	4	84	01		e	Order 1/84 - 49 FR 4380

PART/SUB	TITLE DESCRIPTION	NEED	LEGAL BASIS
73H	Rules Applicable to All Broadcast Stations	These rules prescribe applications filing and processing procedures and information which are applicable to all broadcast stations.	47 U.S.C. Sec. 154, 301, 303, 307.

SECTION NUMBER	TITLE DESCRIPTION	PRIORITY	FY/QTR	ID	PROP ACTION	ULTIM ACTION	REMARKS
73.1660	Type approval of modulation monitors	2	83	01		e	R&O 8/83-48 FR 36459, BCD 81-698
73.1810	Program logs.	2	83	01		e	R&O 6/84 - 49 FR 33658, MMD 81-496
73.1830	Maintenance logs.	2	83	01		e	R&O 8/83 - 48 FR 38473, MMD 82-537
73.1850	Public inspection of program logs.	2	81	01		e	R&O 6/84 - 49 FR 33658, MMD 81-496
73.3540	Applications to operate by remote control.	4	82	01		e	R&O 12/84 - 49 FR 47608, MM 84-110
73.3610	TV programming report.	1	81	01		e	MO&O
73.3611	Financial report.	1	82	01		e	R&O
73.4010	Advertising time--amount of.	3	84	01		e	R&O 6/84 - 49 FR 33588, MMD 83-670
73.4020	Ascertainment and annual list of problems and needs.	2	84	01		e	R&O 6/84 - 49 FR 33698, MMD 81-496
73.4021	Ascertainment evaluations by FCC.	3	84	01		e	R&O 6/84 - 49 FR 33698, MMD 81-496
73.4025	Ascertainment, Noncommercial educational stations.	2	84	01		e	R&O 6/84 - 49 FR 33698, MMD 81-496
73.4030	Astrology material, Broadcasts of.	2	83	01		e	MO&O 8/83 - 48 FR 49852, MMD 83-842
73.4035	Audience ratings: Hypoing and survey misuse.	2	83	01		e	MO&O 8/83-48 FR 36254
73.4040	Audience ratings: Licensee distortion.	2	84	01		e	PR&O 2/85 - 50 FR 5583, MM 83-842
73.4070	Commercials, False, misleading and deceptive.	2	84	01		e	PR&O 2/85 - 50 FR 5583, MM 83-842
73.4080	Commercials,Program length.	3	84	01		e	R&O 6/84 - 49 FR 33588, MMD 83-670
73.4085	Conflict of interest.	4	84	01		e	PR&O 2/85 - 50 FR 5583, MM 83-842
73.4090	Coverage maps, Use by licensees.	2	83	01		e	MO&O 8/83-48 FR 36254
73.4093	Discrete (encoded) 4-channel stereo transmission authority.	3	83	01		e	R&O 4/83 - 48 FR 28445, BCD 82-536
73.4105	Foreign language programs.	3	83	01		e	MO&O 8/83 - 48 FR 49852, MMD 83-842

73.4120	Harassing and threatening phone calls(resulting from station broadcasts).	3	83	01		e	MO&O 8/83 - 48 FR 49852, MMB 83-842
73.4125	Horse racing information broadcasts.	3	83	01		e	R&O 8/84 - 49 FR 33264, MM 83-842
73.4126	Horse racing information; SCA transmissions.	3	83	01		e	R&O 8/84 - 49 FR 33264, MM 83-842
73.4130	Horse racing: Off-track and pari-mutuel betting advertising.	3	83	01		e	R&O 8/84 - 49 FR 33264, MM 83-842
73.4135	Interference to TV reception by FM stations.	4	84	01		e	R&O 11/84 - 49 FR 45146, D 20735
73.4145	Musical format service companies' agreements with broadcasters.	3	83	01		e	MO&O 8/83 - 48 FR 49852, MMB 83-842
73.4150	Musical recordings; repetitious broadcasts.	3	83	01		e	MO&O 8/83 - 48 FR 49852, MMB 83-842
73.4175	Off-network programs and feature films: Presentation restrictions.	3	83	01		e	MO&O 8/83 - 48 FR 49852, MMB 83-842
73.4200	Polls, Call-in, on radio and TV stations.	3	83	01		e	MO&O 8/83 - 48 FR 49852, MMB 83-842
73.4205	Private interest broadcasts by licensees to annoy and harass others.	3	83	01		e	MO&O 8/84 - 48 FR 49852, MMB 83-842
73.4220	Promise v. Performance: Commercial announcements.	3	84	01		e	R&O 6/84 - 49 FR 33588, MMD 83-670
73.4225	Promotion of non-broadcast business of a station.	3	84	01		e	PS&O 2/85 - 50 FR 5583, MM 83-842
73.4230	Sales contracts, Failure to perform.	2	84	01		e	PS&O 2/85 - 50 FR 5583, MM 83-842
73.4240	Sirens and like emergency sound effects in announcements.	4	84	01		e	MO&O 8/83 - 48 FR 49852, MMB 83-842
73.4245	Sports announcer selection.	3	84	01		e	PS&O 2/85 - 50 FR 5583, MM 83-842
73.4270	TV broadcast signals: Technical standards.	3	84	03		e	R&O 3/85 - 50 FR 13971, BC 79-145

PART/SUB	TITLE DESCRIPTION	NEED	LEGAL BASIS
74	Experimental, Auxiliary, and Special Broadcast Services, etc.		
A	Experimental Television Broadcast Stations	These rules prescribe licensing policies, procedures, technical and operational requirements for experimental TV broadcast stations.	47 U.S.C. Sec. 154, 301, 30

SECTION NUMBER	TITLE DESCRIPTION	PRIORITY	FY/QTR	ID	PROP ACTION	ULTIM ACTION	REMARKS
74.164	Station inspection.	3	82	01		e	Order
74.166	Experimental TV broadcast station operator requirements.	3	83	01		e	R&O 1/84 - 49 FR 20658, GD 83-322
74.167	Antenna structure, marking and lighting.	2	82	01		e	Order
74.168	Additional orders.	3	82	01		e	Order

PART/SUB	TITLE DESCRIPTION	NEED	LEGAL BASIS
74B	Experimental Facsimile Broadcast Stations	These rules prescribe licensing policies, procedures, technical and operational requirements for experimental facsimile broadcast stations.	47 U.S.C. Sec. 154, 301, 303, 307.

SECTION NUMBER	TITLE DESCRIPTION	PRIORITY	FY/QTR	ID	PROP ACTION	ULTIM ACTION	REMARKS
74.201	Facsimile broadcast station.	3	83	03		e	Order 8/84 - 49 FR 32581
74.202	Frequency assignment.	3	83	03		e	Order 8/84 - 49 FR 32581
74.212	Supplementary statement with application for construction permit.	3	83	03		e	Order 8/84 - 49 FR 32581
74.213	Supplemental report with renewal application.	3	83	03		e	Order 8/84 - 49 FR 32581
74.231	Licensing requirements, necessary showing.	3	83	03		e	Order 8/84 - 49 FR 32581
74.232	Power limitations.	3	83	03		e	Order 8/84 - 49 FR 32581
74.233	Emission authorized.	3	83	03		e	Order 8/84 - 49 FR 32581
74.234	Multiple ownership.	3	83	03		e	Order 8/84 - 49 FR 32581
74.251	Equipment changes.	3	83	03		e	Order 8/84 - 49 FR 32581
74.261	Frequency tolerance.	3	83	03		e	Order 8/84 - 49 FR 32581
74.262	Frequency monitors and measurements.	3	83	03		e	Order 8/84 - 49 FR 32581
74.263	Time of operation.	3	83	03		e	Order 8/84 - 49 FR 32581
74.264	Station inspection.	3	82	01		e	Order 8/84 - 49 FR 32581
74.265	Station and operator licenses; posting of.	3	83	01		e	Order 8/84 - 49 FR 32581
74.266	Experimental facsimile broadcast station operator requirements.	3	83	01		e	Order 8/84 - 49 FR 32581
74.267	Antenna structure, marking and lighting.	3	82	01		e	Order 8/84 - 49 FR 32581
74.268	Additional orders.	3	82	01		e	Order 8/84 - 49 FR 32581
74.281	Station Records.	2	83	01		e	Order 8/84 - 49 FR 32581
74.282	Charges.	4	83	03		e	Order 8/84 - 49 FR 32581
74.283	Station identification.	5	83	03		e	Order 8/84 - 49 FR 32581
74.284	Rebroadcasts.	5	83	03		e	Order 8/84 - 49 FR 32581

PART/SUB	TITLE DESCRIPTION	NEED	LEGAL BASIS
74C	Developmental Broadcast Stations	These rules prescribe licensing policies, procedures, technical and operational requirements for developmental broadcast stations.	47 U.S.C. Sec. 154, 301, 303, 307.

SECTION NUMBER	TITLE DESCRIPTION	PRIORITY	FY/QTR	ID	PROP ACTION	ULTIM ACTION	REMARKS
74.301	Developmental broadcast station.	3	83	03		e	Order 8/84 - 49 FR 32581
74.302	Frequency assignment.	3	83	03		e	Order 8/84 - 49 FR 32581
74.312	Supplementary statement with application for	3	83	03		e	Order 8/84 - 49 FR 32581

	construction permit.						
74.313	Supplemental report with renewal application.	3	83	03		●	Order 8/84 - 49 FR 32581
74.331	Licensing requirements; necessary showing.	3	83	03		●	Order 8/84 - 49 FR 32581
74.332	Power limitations.	3	83	03		●	Order 8/84 - 49 FR 32581
74.333	Emission authorized.	3	83	03		●	Order 8/84 - 49 FR 32581
74.351	Equipment changes.	3	83	03		●	Order 8/84 - 49 FR 32581
74.361	Frequency tolerance.	3	83	03		●	Order 8/84 - 49 FR 32581
74.362	Frequency monitors and measurements.	3	83	03		●	Order 8/84 - 49 FR 32581
74.363	Time of operation.	3	83	03		●	Order 8/84 - 49 FR 32581
74.364	Station inspection.	3	82	01		●	Order 8/84 - 49 FR 32581
74.365	Station and operator licenses; posting of.	3	83	01		●	Order 8/84 - 49 FR 32581
74.366	Developmental broadcast station operator requirements.	3	83	01		●	Order 8/84 - 49 FR 32581
74.367	Antenna structure, marking and lighting.	3	82	01		●	Order 8/84 - 49 FR 32581
74.368	Additional orders.	3	82	01		●	Order 8/04 - 49 FR 32581
74.381	Station Records.	2	83	01		●	Order 8/84 - 49 FR 32581
74.382	Program service; charges prohibited; announcements.	3	83	03		●	Order 8/84 - 49 FR 32581
74.383	Station identification.	3	83	03		●	Order 8/84 - 49 FR 32581
74.384	Rebroadcast.	3	83	03		●	Order 8/84 - 49 FR 32581

PART/SUB	TITLE DESCRIPTION	NEED	LEGAL BASIS
74D	Remote Pickup Broadcast Stations	These rules prescribe licensing policies, technical and operational requirements for remote pickup broadcast stations.	47 U.S.C. Sec. 154, 301, 303, 307.

SECTION NUMBER	TITLE DESCRIPTION	PRIORITY	FY/QTR	ID	PROP ACTION	ULTIM ACTION	REMARKS
74.466	Station inspections.	2	82	01		●	R&O
74.468	Broadcast remote pickup station operator requirements.	2	83	01		●	R&O 1/84 - 49 FR 20658, GD 83-322
74.469	Painting and lighting of antenna structures.	2	82	01		●	Order
74.470	Additional orders.	2	82	01		●	Order
74.481	Logs and records.	2	83	01		●	R&O 8/83 - 48 FR 38473, MMD 82-537

PART/SUB	TITLE DESCRIPTION	NEED	LEGAL BASIS

74E	Aural Bc STL & Intercity Relay St ations		47 U.S.C.

SECTION NUMBER	TITLE DESCRIPTION	PRIORITY	FY/QTR	ID	PROP ACTION	ULTIM ACTION	REMARKS
74.563	Station inspection.	2	82	01		● Order	
74.565	Broadcast aural STL and intercity relay operator requirements.	2	82	01		● R&O 1/84 - 49 FR 20658, GD 83-322	
74.566	Antenna structure, marking and lighting.	2	82	01		● Order	
74.567	Additional orders.	2	82	01		● Order	
74.581	Logs and records.	2	83	01		● R&O 6/83 - 48 FR 30473, MMD 83-537	

PART/SUB	TITLE DESCRIPTION	NEED	LEGAL BASIS
74F	TV Auxiliary Bc Stations		47 U.S.C.

SECTION NUMBER	TITLE DESCRIPTION	PRIORITY	FY/QTR	ID	PROP ACTION	ULTIM ACTION	REMARKS
74.665	TV broadcast auxiliary station operator requirements.	2	83	01		● R&O 1/84 - 49 FR 20658, GD 83-322	
74.666	Antenna structure, marking and lighting.	2	82	01		● Order	
74.667	Additional orders.	2	82	01		● Order	
74.669	Station inspection.	2	82	01		● Order	
74.681	Logs.	2	84	01		● R&O 6/83 - 48 FR 30473, MMD 83-537	

PART/SUB	TITLE DESCRIPTION	NEED	LEGAL BASIS
74G	LPTV and TV Translator Stations		47 U.S.C.

SECTION NUMBER	TITLE DESCRIPTION	PRIORITY	FY/QTR	ID	PROP ACTION	ULTIM ACTION	REMARKS
74.766	Low power TV and TV translator operator requirements.	1	83	01		● R&O 1/84 - 49 FR 20658, GD 83-322	
74.767	Antenna structure, marking and lighting.	1	82	01		● Order	
74.768	Additional orders.	1	82	01		● Order	

PART/SUB	TITLE DESCRIPTION	NEED	LEGAL BASIS
74H	LP Auxiliary Stations		47 U.S.C.

SECTION NUMBER	TITLE DESCRIPTION	PRIORITY	FY/QTR	ID	PROP ACTION	ULTIM ACTION	REMARKS
74.866	Station inspections.	2	82	01		e	Order
74.868	Broadcast low power auxiliary station operator requirements.	2	83	01		e	R&O 1/84 - 49 FR 20658, GD 83-322
74.881	Logs and records.	2	83	01		e	R&O 8/83 - 48 FR 38473, MMD 83-537

PART/SUB	TITLE DESCRIPTION	NEED	LEGAL BASIS
74I	Instructional TV Fixed Service		47 U.S.C.

SECTION NUMBER	TITLE DESCRIPTION	PRIORITY	FY/QTR	ID	PROP ACTION	ULTIM ACTION	REMARKS
74.964	Station inspection.	3	82	01		e	Order
74.966	ITFS station operator requirements.	3	83	01		e	R&O 1/84 - 49 FR 20658, GD 83-322
74.967	Antenna structure, marking and lighting.	3	82	01		e	Order
74.968	Additional orders.	3	82	01		e	Order
74.981	Logs.	2	83	01		e	R&O 8/83 - 48 FR 38473, MMD 83-537

PART/SUB	TITLE DESCRIPTION	NEED	LEGAL BASIS
74L	FM Bc Translator Stations & FM Bc Booster Stations		47 U.S.C.

SECTION NUMBER	TITLE DESCRIPTION	PRIORITY	FY/QTR	ID	PROP ACTION	ULTIM ACTION	REMARKS
74.1264	Station inspection.	4	82	01		e	Order
74.1266	FM broadcast translator and booster operator requirements.	2	83	01		e	R&O 1/84 - 49 FR 20658, GD 83-322
74.1267	Antenna structure, marking and lighting.	3	82	01		e	Order
74.1268	Additional orders.	3	82	01		e	Order

PART/SUB	TITLE DESCRIPTION	NEED	LEGAL BASIS
76 H	Cable Television Service General Operating Requirements	These rules prescribe general operating requirements with which all cable system operators must comply.	47 U.S.C. Sec. 152, 153, 154(i), 303, 307, 308, 309.

SECTION PROP ULTIM

NUMBER	TITLE DESCRIPTION	PRIORITY	FY/QTR	ID	ACTION	ACTION	REMARKS
76.306	Records of subscribers.	4	82	01		e	R&O 2/85 - 50 FR 6947, MMD 82-813
76.311	Equal employment opportunities.	5	85	01		e	R&O 10/85 - 50 FR 40836, MM 85-61

PART/SUB	TITLE DESCRIPTION	NEED	LEGAL BASIS
78	Cable Television Relay Service		
B	Applications and Licenses	These rules prescribe eligibility for licensing requirements and applications procedures necessary to obtain authorization to operate a cable TV relay service.	47 U.S.C., 152, 153, 154, 301, 303, 307 308, 309.

SECTION NUMBER	TITLE DESCRIPTION	PRIORITY	FY/QTR	ID	PROP ACTION	ULTIM ACTION	REMARKS
78.25	Service or program tests.	4	83	01		e	R&O 5/85 - 50 FR 23417, MM 84-886

PART/SUB	TITLE DESCRIPTION	NEED	LEGAL BASIS
78C	General Operating Requirements	These rules prescribe general operating requirements for cable TV relay station.	47 U.S.C. 152,153, 154, 301, 303, 307, 308, 309

SECTION NUMBER	TITLE DESCRIPTION	PRIORITY	FY/QTR	ID	PROP ACTION	ULTIM ACTION	REMARKS
78.59	Posting of station and operator licenses.	3	83	01		e	R&O 1/84 - 49 FR 20658, GD 83-322
78.61	Operator requirements.	3	83	01		e	R&O; Order 7/85 - 50 FR 32414

PART/SUB	TITLE DESCRIPTION	NEED	LEGAL BASIS
81J	Limited Coast Stations and Marine -Util. Stat., Use of Telephony	These rules prescribe the use of telephony by limited coast stations and marine-utility stations in the maritime services.	47 U.S.C. Sec. 154, 303, 307.

SECTION NUMBER	TITLE DESCRIPTION	PRIORITY	FY/QTR	ID	PROP ACTION	ULTIM ACTION	REMARKS
81.361	Frequencies available.	5	84/3	03	e	e	R&O pr 83-665 adopted 4/13/84
81.362	Limitations on use of marine-utility stations.	2	84/1	03	e	e	Order FCC 84-218 - effective 5/22/84
81.369	Station documents.	3	83/1	01	e	e	r&o pr 82-798
81.370	Station records.	3	83/1	01	e	e	r&o pr 82-798

PART/SUB	TITLE DESCRIPTION	NEED	LEGAL BASIS
81K	Stations on Land in the Maritime Radiodetermination Service	These rules prescribe standards for stations on land in the maritime radiodetermination service.	47 U.S.C. Sec. 154, 303, 307.

SECTION NUMBER	TITLE DESCRIPTION	PRIORITY	FY/QTR	ID	PROP ACTION	ULTIM ACTION	REMARKS
81.403	Special conditions imposed.	2	83/2	03	e	e	Eliminated Shore Test Radar Order (4/27/83)

PART/SUB	TITLE DESCRIPTION	NEED	LEGAL BASIS
81L	Fixed Stations Associated With the Maritime Mobile Service	These rules prescribe standards for the fixed stations associated with the maritime mobile service.	47 U.S.C. Sec. 154, 303, 307.

SECTION NUMBER	TITLE DESCRIPTION	PRIORITY	FY/QTR	ID	PROP ACTION	ULTIM ACTION	REMARKS
81.451	Supplemental eligibility requirements.	3	83/4	01	e	e	Subpart deleted per Order released 9/22/83.
81.452	Points of communication.	2	83/4	03	e	e	Order # 6513
81.453	Showing of need.	4	83/4	03	e	e	Order # 6513
81.454	Frequencies available.	5	83/4	03	e	e	Order # 6513
81.455	Technical requirements.	5	83/4	03	e	e	Order # 6513
81.456	Scope of communication.	2	83/4	03	e	e	Order # 6513
81.457	Station documents.	3	83/1	01	e	e	r&o, pr 82-798
81.458	Station records.	3	83/1	01	e	e	r&o pr 82-798
81.459	Station identification.	2	83/4	03	e	e	Order #6513
81.460	Procedure in testing.	4	83/4	03	e	e	Order # 6513

81.461	Operating procedure.	2	83/4	03	e	e	Order # 6513
81.471	Eligibility requirements.	3	83/4	03	e	e	Order # 6513
81.472	Scope of service.	2	83/4	03	e	e	Order # 6513
81.473	Assignable frequencies.	5	83/4	03	e	e	Order # 6513
81.474	Technical requirements.	5	83/4	03	e	e	Order #6513
81.475	Station identification.	2	83/4	03	e	e	Order # 6513
81.476	Operating limitations.	2	83/4	03	e	e	Order # 6513
81.477	Station records.	3	83/1	01	e	e	r&o pr 82-798

PART/SUB	TITLE DESCRIPTION	NEED	LEGAL BASIS
81N	Stations Operated in the Land Mobile Service for Mari. Purposes	These rules prescribe standards for stations operating in the land mobile service for maritime purposes.	47 U.S.C. Sec. 154, 303, 307.

SECTION NUMBER	TITLE DESCRIPTION	PRIORITY	FY/QTR	ID	PROP ACTION	ULTIM ACTION	REMARKS
81.523	Showing precedent to shipyard base station authorization.	4	83/1	01	e	e	r&o pr 82-798
81.524	Showing precedent to shipyard mobile station authorization.	4	83/1	01	e	e	r&o pr 82-798
81.535	Station documents.	3	83/2	01	e	e	r&o pr 82-798
81.536	Station records.	3	83/1	01	e	e	r&o pr 82-798

PART/SUB	TITLE DESCRIPTION	NEED	LEGAL BASIS
81O	Violations	These rules specify general procedures for the disposition of violations in the maritime services.	47 U.S.C. Sec. 154, 303, 307.

SECTION NUMBER	TITLE DESCRIPTION	PRIORITY	FY/QTR	ID	PROP ACTION	ULTIM ACTION	REMARKS
81.552	Reports of infringements of the International Radio Regulations.	2	83/1	01	e	e	r&o pr 82-798

PART/SUB	TITLE DESCRIPTION	NEED	LEGAL BASIS
81P	Operational Stations Associated With the Maritime Mobile Service	These rules prescribe standards for operational stations associated with the maritime mobile service.	47 U.S.C. Sec. 154, 303.

SECTION NUMBER	TITLE DESCRIPTION	PRIORITY	FY/QTR	ID	PROP ACTION	ULTIM ACTION	REMARKS
81.604	Technical requirements.	5	83/4	03	e	e	Order # 6513

PART/SUB	TITLE DESCRIPTION	NEED	LEGAL BASIS
81Q	Alaska-Public Fixed Stations	These rules prescribe standards for Alaska-public fixed stations in the maritime service.	47 U.S.C. Sec. 154, 303, 307.

SECTION NUMBER	TITLE DESCRIPTION	PRIORITY	FY/QTR	ID	PROP ACTION	ULTIM ACTION	REMARKS
81.703	Documents required for Alaska-public fixed stations.	3	83/1	01	e	e	pr 82-798, r&o
81.707	Alternate transmission on the same radio channel.	2	84/4	03	e	e	R&O pr 83-464 Alaska Public Fixed (7/30/84)
81.710	Frequencies for simplex use available in one or more zones of the Alaska area.	5	84/4	03	e	e	R&O pr 83-464 Alaska Public Fixed (7/30/84)

PART/SUB	TITLE DESCRIPTION	NEED	LEGAL BASIS
83	Stations on Shipboard in the Maritime Services		
B	Applications and Licenses	These rules prescribe special authorizations, licensing eligibility and applications procedures for stations on shipboard in the maritime services.	47 U.S.C. Sec. 152, 154, 155, 301, 303, 307, 309, 315, 317.

SECTION NUMBER	TITLE DESCRIPTION	PRIORITY	FY/QTR	ID	PROP ACTION	ULTIM ACTION	REMARKS
83.26	Administrative classification of stations.	3	82/2	03	e	e	Eliminated by order #30832, 2/5/82.

PART/SUB	TITLE DESCRIPTION	NEED	LEGAL BASIS
83D	General Station Requirements	These rules prescribe general requirements pertaining to proper utilizations of antenna and transmitter for stations on shipboard in the maritime services.	47 U.S.C. Sec. 152, 154, 155, 301, 303, 307, 309, 315, 317.

SECTION NUMBER	TITLE DESCRIPTION	PRIORITY	FY/QTR	ID	PROP ACTION	ULTIM ACTION	REMARKS
83.116	Alternate transmission on the same frequency in the Alaska area.	1	82/2	03	e	e	Eliminated by order #30832, 2/5/82.

PART/SUB	TITLE DESCRIPTION	NEED	LEGAL BASIS
83H	Use of Radiotelegraphy	These rules prescribe the use of radiotelegraphy by stations on shipboard in the maritime services.	47 U.S.C. Sec. 152, 154, 155, 301, 303, 307, 309, 315, 317.

SECTION NUMBER	TITLE DESCRIPTION	PRIORITY	FY/QTR	ID	PROP ACTION	ULTIM ACTION	REMARKS
83.331	Station records.	3	83/1	01	e	e	r&o, pr 82-798

PART/SUB	TITLE DESCRIPTION	NEED	LEGAL BASIS
83O	Use of Radiotelephony	These rules prescribe the use of radiotelephony by stations on shipboard in the maritime services.	47 U.S.C. Sec. 152, 154, 155, 301, 303, 307, 309, 315, 317.

SECTION NUMBER	TITLE DESCRIPTION	PRIORITY	FY/QTR	ID	PROP ACTION	ULTIM ACTION	REMARKS
83.369	Operation under interim ship station license.	5	83/1	03	e	e	r&o, pr 82-798
83.371	Public telephone service, ship stations to common carrier coast stations.	5	83/2	03	e	e	Dk. 21349
83.372	Frequencies available in one or more zones of the Alaska area.	5	83/2	03	e	e	Dk. 21349

PART/SUB	TITLE DESCRIPTION	NEED	LEGAL BASIS
83P	Use of Radiodetermination	These rules prescribe the use of radiodetermination by stations on shipboard in the maritime services.	47 U.S.C. Sec. 152, 154, 155, 301, 303, 307, 309, 315, 317.

SECTION NUMBER	TITLE DESCRIPTION	PRIORITY	FY/QTR	ID	PROP ACTION	ULTIM ACTION	REMARKS
83.406	Special provisions applicable to emergency position indicating radiobeacons.	3	83/1	01	e	e	r&o, pr 82-798

PART/SUB	TITLE DESCRIPTION	NEED	LEGAL BASIS
83R	Radiotelegraph and Ship Radar Sta t Pro. for Comp. w/Part II...	These rules specify that radiotelegraph stations on shipboard in the maritime services must comply with appropriate provisions of the Communications Act or the Radio Provisions of the Safety Convention.	47 U.S.C. Sec. 152, 154, 155, 301, 303, 307, 309, 315, 317.

SECTION NUMBER	TITLE DESCRIPTION	PRIORITY	FY/QTR	ID	PROP ACTION	ULTIM ACTION	REMARKS
83.456	Radiotelegraph auto alarm instructions.	5	83/1	01	e	e	r&o, pr 82-798
83.464	Requirements for radar installation.	5	84/4	03	e	e	PR 84-29 R&O Radiotelegraph Auto Alarm
83.476	Instruction books and circuit diagrams.	1	82/4	01	e	e	pr 82-677 (R&O)
83.477	Transmitter spare parts pending type approval.	1	82/4	03	e	e	pr 82-677 (R&O)
83.478	Survival craft station spare parts.	1	82/4	03	e	e	pr 82-677 (R&O)
83.479	Location of spare parts, tools, testing equipment and instruction books.	1	82/4	03	e	e	pr 82-677 (R&O)

PART/SUB	TITLE DESCRIPTION	NEED	LEGAL BASIS
87	Aviation Services		
A	General Information		47 U.S.C.

SECTION NUMBER	TITLE DESCRIPTION	PRIORITY	FY/QTR	ID	PROP ACTION	ULTIM ACTION	REMARKS

Mr. **Fowler**. Chairman Smith?

Mr. **Smith**. Yes.

Mr. **Fowler**. One thing I wanted to say is that, first of all, about 23 percent of our budget is non-personnel money. Some of the items we need money for in fiscal year '87 relate to our ability to construct regulatory mechanisms that would permit, for example, the Bell operating companies, to be freed to go into other markets. I know you have been reading something about that. The restrictions that now apply, from Judge Greene's court, and in particular our Computer III proceeding, our joint and common cost accounting docket, and our uniform system of accounts, all require money to administer, in particular, ADP, data processing capabilities.

If we do not have that, and assuming that we were to find, and the judge were to find, or the Congress were to find, that it was in the public interest to permit the Bell operating companies into other areas of business, and there have been some very attractive arguments made as to what that could do to help us in terms of international competition, and so forth, we would not be able to implement these findings. We would not be able to certify to Congress that we could safely permit them, absent having these regulatory mechanisms. So the point I am making here is that there is a lot more at stake than simply an expenditure of $1 million, let us say, for ADP.

The second point I want to make is that I have been the hardest of the hard in cutting our budget each year that I have been Chairman. I took very seriously the idea that we should try to be as efficient and lean and mean as we could. And we have done that every year consistently.

We have a record of being as lean as we can be. I cannot say the same for other agencies. You know yourself, when they do not make those kinds of efforts. When it comes to Gramm-Rudman, I hope some consideration is given to those agencies that you have seen over a period of time operating very, very efficiently, and doing four or five times more work with about 12 or 14 percent fewer people. That is what we have been doing.

Another point is our trend line, in terms of the work that is coming in, it continues to skyrocket because of the explosion in technology.

Mr. **Smith**. I would hope that if we have to cut below last year's dollar level, and I think we will have to, overall, that we can get it out of those agencies. But that still does not mean that agencies that have been doing a better job are not going to be tight, because I do not know how we are going to put these figures together. We have not reviewed all the requests yet.

Mr. **Fowler**. I'm sure you hear this from a lot of people, but I would just hope that in our case we really have earned a reputation of running very, very lean. We can take cuts if necessary. We have to abide by it. But I believe it can be very, very harmful in some areas, and I am as loyal a supporter of trying to cut the budget as anyone. I just wanted to say that. This is the first time I have said that before this Committee.

Mr. **Smith**. Deal with that in your expanded answer.

Mr. **Fowler**. Yes, sir.

FY 1987 BUDGET

Mr. **Smith**. I guess the next logical question is: what if you have another Gramm-Rudman reduction below that, what happens?

Mr. **Fowler**. I have read a lot about something called Black Holes. It is a scientific phenomenon that scientists are familiar with, where a body is so dense it can even bend light rays inward. We would probably be in one of those.

Mr. **Smith**. I see.

Mr. **Fowler**. But it is a situation that we will all have to grapple with.

Mr. **Smith**. Mr. Dwyer?

Mr. **Dwyer**. Thank you, Mr. Chairman.

I want to say at the outstart, Mr. Fowler, that your Agency has been very, very cooperative with my office, and I hope when you get into that Black Hole situation, why you can still—we can still service our constituents.

Mr. **Fowler**. Yes, sir.

PUBLIC SAFETY RADIO CHANNELS

Mr. **Dwyer**. In your statement you mentioned demand for private radio spectrum and public safety channels are exploding. You mentioned innovative spectrum allocation techniques, would you elaborate on that?

Mr. **Fowler**. Yes, I would like, if I could, to have Mr. Foosaner come forward. He is the Chief of our Private Radio Bureau. He knows a little bit more about what the needs are in New Jersey specifically, and we have had some discussions on this.

As to some of the innovative spectrum management techniques, we are encouraging the users in the land mobile industry to use less spectrum, to go to more efficient equipment that uses a narrower channel, for example, so that you can put more people on the same given amount of spectrum, instead of using much wider channels. We can try to stop inefficient use of spectrum.

We are looking at more innovative ways of allocating spectrum, including what we call a flexible alternative. This would provide a great deal of flexibility in terms of the needs of a given region, or area, by granting a block of spectrum to an entity, and that entity then would be able to resell it, or lease it, depending on the needs in that area. It is not correct to say that just because we make an allocation for so much spectrum out of Washington, D. C., that the need for spectrum is the same in every community in the United States. There may be some better use of spectrum in a particular area, let us say in Newark, than the way we mandated it out of Washington.

This would give more flexibility for public safety users, and others, and I know you have had a concern there. So that it could be used for that, although not centrally allocated by the FCC. It would give flexibility.

Bob, would you like to elaborate?

Mr. **Foosaner**. Well, Congressman Dwyer, Chairman Fowler has basically answered the question. What we are looking at is that public safety has been in the forefront of using radio communications. They tend to like to use equipment that is tried and true tested. It is very proper that they only use equipment after it has been developed and used by others in the community.

They are starting to use what we call trunking equipment, which is a queuing up on the communications, so that they can give priorities on the communications. As they have started to use this equipment we have looked for additional spectrum for them to use, and we have a number of proposals outstanding.

We are also developing a nationwide plan for public safety communications. A lot of Commission resources are going towards it right now.

Mr. DWYER. Let me see if I understand you. Does that mean that a police department, or a first aid department, or a fire department can purchase more sophisticated equipment?

Mr. FOOSANER. It has become——

Mr. DWYER. And be able to keep the local bus company off of their—out of their channel, or a local excavating contractor?

Mr. FOOSANER. It has become available, and they are starting to use it, but because of tax cycles with local communities it is difficult for them to purchase equipment, and immediately get rid of their old equipment.

The way our allocation scheme works, public safety only shares with public safety. What you are referring to now is special emergency, which we have private entities in, as well as local entities. The local ambulance is sometimes a fire department, sometimes a private entity. They share a portion of the communications spectrum. Police share with police, they can share with other local entities, but not with the private industry.

PUBLIC SAFETY RADIO CHANNELS

Mr. DWYER. Well, I have a letter that I received just the other day from the Chief of Police in the City of Rahway, who has actually asked us to remind the FCC that the Communication Act contains certain priorities for public safety over other users of the radio spectrum, and his insinuation is that it is not being done, and apparently this is based on interference in their spectrum.

Mr. FOOSANER. He has never communicated with us that he is having interference. What I would surmise he is referring to is the Communications Act as it was amended in 1982, giving priority to public safety allocations.

We have currently pending before the Commission several allocation proposals. One or two of which are looking towards giving spectrum to public safety, and I think he wants his comments considered in those proceedings. We are giving heavy weight to public safety needs.

Mr. DWYER. This sophisticated equipment you spoke of, how expensive is it, and are you notifying the political subdivisions of the availability of this equipment, are you making strong suggestions in this area?

Mr. FOOSANER. First, to the expense, it is more expensive than the traditional land mobile equipment. It used to be maybe five times more expensive. It is now down to maybe 50 percent more expensive. But they can get greater use out of it, so it is difficult to say exactly what is the expense.

We are notifying the public safety communities, through APCO, their national representative, as well as every kind of different local entity that gets in touch with us, as to its availability. They have to make their own decisions as to whether they can afford the dollars to get the equipment.

Mr. **Dwyer**. I also had some communication from a public utility that is having interference on their frequency, from an unlicensed contractor in another part of the State. What do we do with something like that?

Mr. **Foosaner**. Well, the only thing we can do with something like that is they have to notify us of the interference. We will then, with the use of the Field Operations Bureau, try to investigate the complaints.

A lot of our frequencies are what we call "shared use." They only have the right to have X number of mobiles on a frequency. We put other people on the same frequency. Because of the scarcity of the frequencies, they must share those frequencies. When they are licensed, they are told that.

I do not know what this particular case is, but in the New York/New Jersey area we have very few available frequencies, if any, and they are very crowded. It is a difficult situation, but there is a great demand for communications right now in land mobile.

PUBLIC SAFETY RADIO CHANNELS

Mr. **Fowler**. I think I would like to add, sir, that we have a docket, and Mr. Foosaner referenced it, where we are considering adding more spectrum for use in land mobile and public safety. When we act on that docket there is a very real possibility that we will have more spectrum available and, as he points out, one of the most critical areas in the country is the New Jersey/New York area. Because of the concentration of population in that geographical area, there is a lot of heartache, and heartburn, frankly. This may help us if we can allocate more spectrum.

Mr. **Dwyer**. How about the unlicensed person?

Mr. **Foosaner**. We will go after them, but there are 12 million transceivers in land mobile right now. It is difficult to find them, unless it is a continuing interference.

Additionally, what we have looked at, and we just put into the proposed rule, is to limit the availability of transceivers, radios that are capable of transmitting and receiving, as to what they can be tuned to. We are proposing they only be tuned to what they are licensed for.

Presently, they are out there being tuned to any frequency. We are attempting, through manufacturers, to curtail the availability of that kind of equipment.

Mr. **Dwyer**. Does it make sense to require the licensees to use the more sophisticated equipment?

Mr. **Foosaner**. We are doing that. We are looking towards doing that. Also in areas other than the public safety area, we are requiring them to use that equipment.

Mr. **Dwyer**. Why, you say you are looking forward to doing it, and you are doing it. Are you doing it?

Mr. **Foosaner**. We have, in the proposed rulemaking.

Mr. **Dwyer**. All right.

Mr. **Foosaner**. Additionally, when someone comes in, and I do not have any frequencies available, I require them to use it. So we are looking towards doing it, and we are presently doing it.

Mr. **Dwyer**. Then I guess you are saying that you require this in New Jersey, and probably in New York, because of the overloaded frequencies?

Mr. **Foosaner**. Absolutely.

Mr. **Dwyer** Why would you not require public safety groups to do it, if it is going to solve their problem?

Mr. **Foosaner**. That is a prospective thing that we are looking at. Right now we have what we call the 800 megahertz frequencies, and one of the proposals we have outstanding is to require them to use the new equipment.

Mr. **Dwyer**. Well, I would suggest this be made a requirement, you know better than I, but I would make that suggestion, because I see this situation, particularly in my area of New Jersey, getting worse, and it is going to cause some real serious problems.

NO CODE AMATEUR RADIO

One more question. I have had a senior citizen contact me, who decided he wants to become an amateur radio operator, and he has to pass the Morse Code test. And he takes exception to doing this, because he is going to be communicating, by voice, radio telephone, in an amateur status, and he does not understand why a senior citizen has to be proficient in the Morse Code.

Mr. **Foosaner**. Mr. Congressman, it is a question that is raised by a number of individuals who would not like to have to take the test. The test has been taken by all 400,000 amateur licensees. We do not provide exceptions, but we do provide if there is a handicap, whether it is hearing, sight, or any other kind of a handicap, we have special testing facilities available, and we will work with the people. We had a rulemaking in the three years on whether we should require code testing, and the overwhelming majority of commenters, amateurs and nonamateurs, said it should be a requirement. It currently is a requirement, and we have never waived it for anyone.

We get these requests, I would say, at least weekly. It is a requirement, just like you passed your driver's test; you have to demonstrate that you can drive a car. You have to demonstrate that you can use the equipment with Morse Code.

Mr. **Dwyer**. Well, that is logical, to a point. But at one time you used to have to demonstrate that you could drive a car with a manual shift.

Mr. **Foosaner**. Understood. Except the difference here is the amateur radio license is a special privilege, and in order to operate on the frequencies, you have to have Morse Code.

Mr. **Dwyer**. Well, it is my understanding that driving a car is a very special privilege.

Mr. **Foosaner**. Understood.

Mr. **Dwyer**. Take your license away, for the least infraction, but I am interested in the comments that were made. Where did you receive your comments from, from all the licensed amateurs?

87.021	Applications made on prescribed forms.	4	82/4	01	e	e	R&O PR Docket no. 82-319.
87.099	Information required in station logs.	3	83/1	01	e	e	Gen. Dkt. 82-182, R&O eliminating sta log require.
87.101	Station records in the aeronautical public service.	3	83/1	01	e	e	PR DKT.82-319, R&O, paperwork reduction program.
87.103	Required retention period.	3	83/1	01	e	e	Gen. Dkt. 82-182, R&O eliminating sta log require.
87.105	Logs, by whom kept.	3	83/1	01	e	e	Gen. Dkt. 82-182, R&O eliminating sta log require.
87.107	Log form.	3	83/1	01	e	e	GEN DKT 82-182, R&O eliminating station log req.
87.109	Correction of log.	3	83/1	01	e	e	GEN DKT 82-182, R&O eliminating station log req.

PART/SUB	TITLE DESCRIPTION	NEED	LEGAL BASIS
87B	Airborn Stations		47 U.S.C.

SECTION NUMBER	TITLE DESCRIPTION	PRIORITY	FY/QTR	ID	PROP ACTION	ULTIM ACTION	REMARKS
87.211	Frequencies available.	5	82/2	03	e	e	Eliminated,Order 30832, 2/5/82

PART/SUB	TITLE DESCRIPTION	NEED	LEGAL BASIS
87F	Aeronautical Metropolitan Stations		47 U.S.C.

SECTION NUMBER	TITLE DESCRIPTION	PRIORITY	FY/QTR	ID	PROP ACTION	ULTIM ACTION	REMARKS
87.321	Eligibility for station license.	3	84/4	03	e	e	Order - Aviation Edits - 49 FR 35091 (9/6/84)
87.323	Frequencies available.	5	84/4	03	e	e	Order - Aviation Edits - 49 FR 35091 (9/6/84)
87.325	Points of communications.	2	84/4	03	e	e	Order - Aviation Edits - 49 FR 35091 (9/6/84)
87.327	Scope of service.	3	84/4	03	e	e	Order - Aviation Edits - 49 FR 35091 (9/6/84)
87.329	Application for aeronautical metropolitan station authorization.	4	84/4	03	e	e	Order - Aviation Edits - 49 FR 35091 (9/6/84)

PART/SUB	TITLE DESCRIPTION	NEED	LEGAL BASIS
90	Private LM Radio Service		
A	General		47 U.S.C.

SECTION NUMBER	TITLE DESCRIPTION	PRIORITY	FY/QTR	ID	PROP ACTION	ULTIM ACTION	REMARKS
90.3	Organisation and applicability of the rules.	5	83/2		e	e	order #32837, 2/3/83

PART/SUB	TITLE DESCRIPTION	NEED	LEGAL BASIS
90K	Standards for Special Frequencies or Frequency Bands	These rules specify standards for the use of special frequencies or bands by private land mobile radio stations.	47 U.S.C. Sec. 154, 303.

SECTION NUMBER	TITLE DESCRIPTION	PRIORITY	FY/QTR	ID	PROP ACTION	ULTIM ACTION	REMARKS
90.255	Assignment and use of the frequencies 27.235, 27.245, 27.255, 27.265 and 27.275 MHz.	2	83/2		e	e	Order #32827 (2/3/83).

PART/SUB	TITLE DESCRIPTION	NEED	LEGAL BASIS
90N	Operating Requirements	These rules prescribe general operating requirements to include points of communications, methods of station identification and record keeping for private land mobile radio services.	47 U.S.C. Sec. 154, 303.

SECTION NUMBER	TITLE DESCRIPTION	PRIORITY	FY/QTR	ID	PROP ACTION	ULTIM ACTION	REMARKS
90.409	Emergency operations of Public Safety and Special Emergency mobile stations at fixed locations.	3	83/2	03	e	e	R&O PR 83-991 (7/84).
90.413	Civil Defense Communications in the Taxicab Radio Service.	2	83/2	03	e	e	R&O PR 83-991 (7/84).
90.435	Posting of operator license.	3	83/2	01	e	e	" " "

PART/SUB	TITLE DESCRIPTION	NEED	LEGAL BASIS
90R	Emergency Comm. Pursuant to the ICEP and LATICEP Plans	These rules prescribe procedures for emergency communications pursuant to Industrial Communications Emergency Plan and the Land Transportation Industries Communications Emergency Plan.	47 U.S.C. Secs. 154, 301, 303, 307, 308 309, 312, 316, 318, 319, 606.

SECTION NUMBER	TITLE DESCRIPTION	PRIORITY	FY/QTR	ID	PROP ACTION	ULTIM ACTION	REMARKS
90.560	Cross-reference table.	5	83/2		e	e	Order #32827 (2/3/83).

PART/SUB	TITLE DESCRIPTION	NEED	LEGAL BASIS
94	Private Operational-Fixed Microwave Service.		
B	Applications, Authorizations and Notifications	These rules specify the applications and notification procedures that must be complied with prior to operating a radio transmitter in the private fixed microwave service.	47 U.S.C. Sec. 154, 303.

SECTION NUMBER	TITLE DESCRIPTION	PRIORITY	FY/QTR	ID	PROP ACTION	ULTIM ACTION	REMARKS
94.55	Notification of commencement or discontinuance of station operation.	3	83/2	01	e	e	R&O PR 83-991 (7/84).

PART/SUB	TITLE DESCRIPTION	NEED	LEGAL BASIS
95	Personal Radio Services.		
A	General Mobile Radio Services	These rules define terms associated with general mobile radio services; additionally; applications and licensing procedures, station operating andadministration requirements are prescribed.	47 U.S.C. Sec. 154, 303.

SECTION NUMBER	TITLE DESCRIPTION	PRIORITY	FY/QTR	ID	PROP ACTION	ULTIM ACTION	REMARKS
95.119	Recording of tower light inspections.	1	83/2	03	e	e	R&O, pr 82-84 (7/14/83)
95.25	Amendment or dismissal of application.	1	83/2	03	e	e	R&O, pr 82-84 (7/14/83)
95.27	Partial grant.	1	83/2	03	e	e	R&O, pr 82-84 (7/14/83)
95.63	Emergency and assistance to motorist use.	1	83/2	03	e	e	R&O, pr 82-84 (7/14/83)
95.67	Telephone answering services.	1	83/2	03	e	e	R&O, pr 82-84 (7/14/83)
95.73	Station location.	1	83/2	03	e	e	R&O, pr 82-84 (7/14/83)
95.77	Civil defense communications.	1	83/2	03	e	e	R&O, pr 82-84 (7/14/83)

PART/SUB	TITLE DESCRIPTION	NEED	LEGAL BASIS
95C	Radio Control (R/C) Radio Service	These rules prescribe eligibility for licensing, operational and technical criteria for radio control (R/C) service.	47 U.S.C. Sec. 154, 303.

SECTION NUMBER	TITLE DESCRIPTION	PRIORITY	FY/QTR	ID	PROP ACTION	ULTIM ACTION	REMARKS
95.203	Do I need a license?	5	83/1	03	e	e	R&O, pr 82-799 (4/27/83)
95.204	Am I eligible to get an R/C license?	5	83/1	03	e	e	R&O, pr 82-799 (4/27/83)
95.205	How do I apply for an R/C license?	5	83/1	01	e	e	R&O, pr 82-799 (4/27/83)
95.206	May I operate my R/C station while my application is being processed?	5	83/1	01	e	e	R&O, pr 82-799 (4/27/83)
95.207	How do I renew my R/C license?	5	83/1	02	e	e	R&O, pr 82-799 (4/27/83)
95.208	How does a corp. holding an R/C license apply for consent to transfer control of the corporation?	5	83/1	01	e	e	R&O, pr 82-799 (4/27/83)
95.209	What address do I put on my application?	5	83/1	02	e	e	R&O, pr 82-799 (4/27/83)
95.210	How do I sign my R/C license application?	5	83/1	03	e	e	R&O, pr 82-799 (4/27/83)
95.211	How long is my license term?	5	83/1	03	e	e	R&O, pr 82-799 (4/27/83)
95.213	What must I do if my name or address changes?	5	83/1	01	e	e	R&O, pr 82-799 (4/27/83)
95.214	May I transfer my R/C license to another person?	5	83/1	03	e	e	R&O, pr 82-799 (4/27/83)
95.224	Who is responsible for transmissions made under the authority of my license?	5	83/1	03	e	e	R&O, pr 82-799 (4/27/83)
95.230	How long must I keep my license?	5	83/1	01	e	e	R&O, pr 82-799 (4/27/83)
95.231	Where must I keep my license?	5	83/1		e	e	R&O, pr 82-799 (4/27/83)

95.232	What do I do if I lose my license?	5	83/1	01	e	e	R&O, pr 82-799 (4/27/83)
95.233	Do I need to have a copy of the (R/C) Rules?	5	82/3	01	e	e	Order FCC 82-177 released 4/22/82
95.241	Where do I get FCC application forms?	5	83/1		e	e	R&O, pr 82-799 (4/27/84)

PART/SUB	TITLE DESCRIPTION	NEED	LEGAL BASIS
95E	Technical Regulations		47 U.S.C. Sec. 154, 303.

SECTION NUMBER	TITLE DESCRIPTION	PRIORITY	FY/QTR	ID	PROP ACTION	ULTIM ACTION	REMARKS
95.621	Compliance with technical requirements	5	85/1		e	e	Order 1st qt. FY 85
95.631	External radio frequency power amplifiers prohibited	5	85/1		e	e	Order 1st qt. FY 85
95.647	Submission of noncrystal controlled R/C station transmitters for type approval	5	85/1		e	e	Order 1st qt. FY85
95.649	Type approval of receiver-transmitter combinations	5	85/1		e	e	Order 1st qt. FY85
95.651	Minimum equipment specifications	5	85/1		e	e	Order 1st qt. FY85
95.653	Test procedure	5	83/3		e	e	
95.655	Certificate of type-approval	5	83/3		e	e	

PART/SUB	TITLE DESCRIPTION	NEED	LEGAL BASIS
97	Amateur Radio Service		
C	Technical Standards	These rules specify standards to include emission limits, authorized frequencies and power in the amateur radio service.	47 U.S.C. Sec. 154, 303.

SECTION NUMBER	TITLE DESCRIPTION	PRIORITY	FY/QTR	ID	PROP ACTION	ULTIM ACTION	REMARKS
97.71	Transmitter power supply.	1	82/2	01	e	e	Deleted by Order released 4/12/82.

Mr. **Foosaner**. We received well over 5,000 comments in that proceeding. I would venture to say the vast majority of them were licensed amateurs, yes.

Mr. **Dwyer**. I would if you would be so kind as to send my office—do you have a public record of those procedures?

Mr. **Foosaner**. Absolutely.

Mr. **Dwyer**. Would you send that to me?

Mr. **Foosaner**. Certainly.

Mr. **Dwyer**. It just seems unreasonable that if a senior citizen decides he wants to go out and invest in radio telephone equipment, and become an amateur radioman, that he would have to pass a CW test.

Well, in the late stages of life, it would seem to me that you might be able to develop some compassion, some understanding in this area, because I understand that they are interested in forming a number of senior citizens clubs.

Mr. **Foosaner**. We have similar type requests from various groups, each of which have very good reasons for wanting to have the capabilities in the amateur radio service.

When we went through the proceeding, we were informed, particularly by a member of the Senate, how strongly the amateurs felt about the Morse Code requirement, and that it should be kept in place. The record was clear that the vast majority of commenters wanted it, and when the Commission looked it over, we agreed with that comment. And it is very difficult to differentiate between specific and special requests.

Mr. **Dwyer**. Well, it would seem to me that you probably ought to take a second look at that.

Thank you, Mr. Chairman.

Mr. **Smith**. Thank you, sir.

Mr. Rogers?

NO CODE AMATEUR RADIO

Mr. **Smith**. Well, before we move on then, about that Morse Code, why is it important that they know Morse Code?

Mr. **Foosaner**. Originally, Mr. Smith, Congressman Smith, it came up as an international requirement. We could not license amateurs that did not pass the Morse Code test.

It has evolved now to a situation where most of the frequencies do not require a Morse Code test. When the international community relaxed the requirement in certain frequencies, the Commission opened a proceeding to see if it should relax requirements. We spent three or four years on the proceeding——

Mr. **Smith**. Why is it important that they be able to pass the test in Morse Code?

Mr. **Foosaner**. One of the main reasons that we stated was the potential use for Morse Code in a national emergency. The Morse Code people and the Department of Defense made comments on this, as well as the Army and the FBI. The people that are able to communicate——

Mr. **Smith**. For international communications purposes, then?

Mr. **Foosaner**. For national emergency communications, a hurricane comes through, a tornado comes through, the amateurs are the only communications capability. Often Morse Code is the only way they communicate.

Mr. SMITH. Why?

Mr. FOWLER. They can go further, with less power.

Mr. SMITH. Oh, so you can communicate for a——

Mr. FOOSANER. Yes.

Mr. SMITH.—much greater distance.

Mr. FOWLER. You can take a mobile rig, and have them run five watts, and be able go 1,000 miles or so, even further. You can go around the world, but if you were trying to reach a Dallas Regional FEMA Coordinating Station, for example, Federal Emergency Management Agency——

Mr. SMITH. Would you not have more interference then?

Mr. FOWLER. Beg your pardon?

Mr. SMITH. Would that not result in more interference then?

Mr. FOWLER. No, because you would be on different channels, and CWs are also Code users, and they are on a wider spectrum than voice.

Mr. SMITH. I see.

Mr. MINKEL. You can read through high density noise with CW.

Mr. SMITH. Very good. Mr. Rogers?

Mr. ROGERS. Thank you, Mr. Chairman.

Mr. Chairman, welcome, and it's good to see you.

Mr. FOWLER. Yes sir, thank you.

SATELLITE SIGNAL SCRAMBLING

Mr. ROGERS. Let me ask you about the scrambling on the satellites, if I may. Do you have any plans to help resolve that controversy and the problem that we have, particularly in rural areas?

Mr. FOWLER. We have not been primarily involved in this. It is, as you know, Mr. Rogers, very contentious, and I know there were some hearings just held on this.

The 1984 Cable Act recently passed by the Congress does permit programmers to scramble. There have been some allegations of anticompetitive practices by cable systems, insisting that programmers scramble their signal, or they would not carry them on the cable system. I do not know whether those allegations are grounded in fact or not. I have no way of knowing.

But they do have the right under the Cable Act, the programmers, to scramble. The question then is whether or not people could receive this programming if they got a decoder, and were able to pay a reasonable, quote unquote, fee for the use of the decoder. I do not think that any of the groups really oppose paying something.

There are some concerns, however, I gather, about possible pressure put by cable systems on some of the programmers to scramble, when they might not otherwise opt to scramble. But we have not been centrally involved in that, so far.

Mr. ROGERS. Well, do you plan to get into it?

Mr. FOWLER. Well, my view is it can work itself out; if people have the ability to be able to pull the signals down, in return for paying a reasonable fee, monthly fee, somewhat similar to what people pay for that service on a cable system. It need not be the exact fee, because there are some transactional costs, as you know, associated with servicing one person versus receiving a payment from a cable operator who has 50,000 subscribers.

But I think it can work itself out. I do not see any reason why it will not. I think there will be a lot of choices out there. It is new. People were getting something free. Frankly, people in the programming business ought to have the right to protect their property. We would not consider letting people walk into a movie house without paying, and the same principle applies here, it seems to me.

Mr. ROGERS. Well, I think you are right. And I think I probably have as many dishes in my district as anybody in the country, being a rural district.

Mr. FOWLER. Yes, sir.

Mr. ROGERS. The cable systems, frankly, and those people who are not served by cable are willing to pay a reasonable fee for receiving that signal. But there does not seem to be a framework within which such a system can evolve, or even take place, and that is why I was hoping that the Commission could issue some guidelines, and operating procedures, perhaps, through which cable companies, satellite receiver constituents, and the broadcasters all could, within which they could all operate, being fair to all of them.

Mr. FOWLER. Mr. Rogers, I agree with you that there are some issues which have been raised that merit attention. But I would say that at this point, sir, I do not see any reason for the Government to be intervening.

That is not to say, for example, antitrust considerations ought not to be brought to bear, or could be brought to bear in a given situation, where, for example, a cable system or a group of cable systems might be acting anticompetitively, attempting to create a monopoly, in violation of antitrust law.

In other words, it seems to me that the traditional antitrust analysis would apply, and could be a very adequate remedy in those cases. But other than that, at this point I do not see any problem that will not be worked out and sorted out. I would also point out that there are—I think my number is correct here—something like 50 such services that are still not scrambled. Of course, over a period of time some of these might also be scrambled.

So, it is not a perfect world, but I think it will work itself out okay. We will just have to wait and see, but it is very new. I think there is a little bit of shock for people, in something that you pull down for free, and now you have to pay something for. I can understand that. People do not like that. If we, as policymakers, could make everybody happy—programmers and consumers alike—where the consumers did not pay anything and the programmers were still made happy, even though they did not receive anything, for something that cost them millions to produce, we would be magicians. So we cannot please everybody.

SATELLITE SIGNAL SCRAMBLING

Mr. ROGERS. Well, in the meantime, what can I say to these hundreds, maybe even thousands of people who have written me in shock, that their movies are pulled off their satellite, and they are in a withdrawal state. What can I say to them?

Mr. **Fowler**. I am not familiar with the Playboy channel. I am not sure if they are still broadcasting, or whether they operate in a scrambled mode. Maybe somebody could help me on that, factually.

Mr. **Rogers**. It is scrambled.

Mr. **Fowler**. It is scrambled now. I see.

Mr. **Rogers**. I do not know that firsthand, either.

Mr. **Fowler**. We all give the caveats here properly.

But again, if people want to pay for that, it is available. Just like you can go into a drugstore today and you no longer can see the magazines that they have behind racks. But, if you want to pay for it, you can get it.

Mr. **Rogers**. Well, let us take the Movie channel, or one of the others. My understanding is that a person can purchase a decoding device for several hundreds of dollars, four or $500, and so much a month, to receive the Movie channel, but then to get ESPM, perhaps, or one of the other channels, you have to buy another decoder, for another four or $500, and before you know it you are paying $2,000 for three or four channels, plus so much a month, and you have got all these boxes sitting all over your house, one for each channel.

Surely there can be some way that they can be systematized, perhaps through rules that you could issue. One decoder would decode 15 channels, at a reasonable fee, rather than doing them separately. That is, I think, the mechanical problem here.

Mr. **Fowler**. Well, Mr. Rogers, I have to say you know more about this whole issue than I do. I frankly have been pretty much tied down on the telephone issues, but if I could ask Mr. McKinney to come forward, he is more knowledgeable than I—oh, Bill Johnson, okay, I guess Jim is not here. Mr. Johnson is the Deputy Chief of the Mass Media Bureau. Perhaps you can answer Mr. Rogers' question.

Mr. **Johnson**. It is my understanding that the market is working toward a common descrambling device. There is basically one type of operation which is coming into dominance which will probably be capable of unscrambling all of the channels.

There were initially a number of contenders for the various kinds of scrambling programs, and there are still some of the noncable channels, as I understand it, that are not using the standard scrambling mechanism. I think that is going to work itself out.

Mr. **Rogers**. Perhaps you could get me some more information about that, that I might share with those who have asked me.

[The information follows:]

```
     Thu Mar 27 1986               FCC MOTOR VEHICLE REPORT - FY 86

OFF LICENSE NO. YEAR MAKE     MODEL    OWNER CLASS TYPE MPG MILEAGE COST   ODOM   DATE ACQ ACQ FROM
--- ----------- ---- ----     -----    ----- ----- ---- --- ------- ----   ----   -------- --------
AL  FC-505        77 FORD     VAN          F 4X2   UTLY  08     167  $569  72360  00/00/00 PO
AL  FC-560        81 CHEY     VAN          F 4X2   MEMU  10   21148 $3519  51529  83/05/26 ECIB
AL  FC-571        83 PLYMTH   RELIANT      F SW    INVS  21    6908  $436  16199  84/04/07 PO
AL  G-19048       85 PLYTH    RELIANT      P SW    OTHR  30    1416  $250   2044  85/08/19 GSA

                           TOTAL NUMBER OF VEHICLES ON HAND FOR AL IS  4.


AN  FC-484        75 DODGE    VAN          F 4X2   MEMU  09     119  $145  58978  75/06/30 PO
AN  G63-10787     86 DODGE    PU 250       P 4X4   UTLY  06       0    $0     11  86/02/21 GSA

                           TOTAL NUMBER OF VEHICLES ON HAND FOR AN IS  2.


AR  FC-515        81 AMC      CHEROKEE F     4X4   INVS  13    5767  $866  28288  81/01/15 ECIB
AR  G12-70774     83 PLYMTH   RELIANT  P     S-II  INSP  21    5282 $2982  13512  84/08/29 GSA

                           TOTAL NUMBER OF VEHICLES ON HAND FOR AR IS  2.


AT  FC-510        79 CHRY     NEWPORT  F     S-III INVS  14   10055 $3426  80382  80/01/23 PO
AT  FC-529        80 DODGE    ST.REGIS F     S-III INVS  15   18095 $2521  54567  82/06/10 PO
AT  G12-81185     84 CHVY     CITATION P     S-II  INSP  25   10576 $2493  16148  84/06/27 GSA
AT  G12-90383     84 CHVY     CITATION P     S-II  OTHR  25   11356 $2568  11371  84/09/26 GSA

                           TOTAL NUMBER OF VEHICLES ON HAND FOR AT IS  4.


BE  FC-561        81 CHEVY    VAN          F 4X2   MEMU  15   12843 $2135  33197  83/05/06 ECIB
BE  FC-576        83 DODGE    PICKUP       F 4X2   UTLY  18    8549  $676  21923  83/06/06 PO

                           TOTAL NUMBER OF VEHICLES ON HAND FOR BE IS  2.


BF  FC-489        76 DODGE    VAN          F 4X2   MEMU  12    3749  $648  59368  81/10/05 PO
BF  FC-530        80 CHRYSL   NEWPORT      F S-III INVS  15    9821 $1371  35585  82/04/14 ECIB
BF  G11-79968     78 PLYMTH   FURY         P S-III INVS  14    9943 $3014  60068  78/07/31 GSA

                           TOTAL NUMBER OF VEHICLES ON HAND FOR BF IS  3.


BM  FC-523        80 PLYMTH   FURY         F S-III INVS  14   12837 $2157  56094  82/04/14 ECIB
BM  FC-566        82 DODGE    ARIES        F S-II  INVS  17   14033 $1830  26934  84/02/15 ECIB
BM  G41-68826     85 DODGE    CARAVAN      P 4X2   INSP  24     612  $323    742  85/08/16 GSA

                           TOTAL NUMBER OF VEHICLES ON HAND FOR BM IS  3.


BS  FC-524        80 CHRY     NEWPORT  F     S-III INVS  15    9795 $1324  49175  81/09/21 ECIB
BS  FC-569        82 DODGE    ARIES    F     S-II  INVS  18    7600 $1097  24800  83/07/25 ECIB
BS  G12-85706     84 CHEVY    CITATION P     S-II  INSP  25   11308 $2605  18308  84/04/11 GSA
BS  G21-18465     84 CHEVY    CELEBRTY P     SW    INSP  21   13300 $2940  19300  84/05/03 GSA

                           TOTAL NUMBER OF VEHICLES ON HAND FOR BS IS  4.
```

```
        Thu Mar 27 1986              FCC MOTOR VEHICLE REPORT - FY 86

OFF LICENSE NO. YEAR  MAKE    MODEL     OWNER  CLASS  TYPE  MPG  MILEAGE  COST    ODOM   DATE ACQ  ACQ FROM
--- ----------- ----  ----    -----     -----  -----  ----  ---  -------  ----    ----   --------  --------
CE  FC-467       74   DODGE   VAN        F     4X2    OTHR  00      839   $576    41117  74/01/01  PO
CE  FC-472       74   DODGE   VAN        F     4X2    OTHR  00      288   $349    32288  74/01/01  PO
CE  FC-491       74   FORD    VAN        F     4X2    OTHR  00     4401  $1183    70698  74/01/01  PO
CE  FC-506       78   FORD    FAIRMONT   F     S-III  OTHR  00     7477   $873    58420  78/01/01  PO

                    TOTAL NUMBER OF VEHICLES ON HAND FOR CE IS  4.


CG  FC-463       74   DODGE   VAN        F     4X2    MEMU  08     2402   $184    61623  75/05/30  PO
CG  FC-527       80   CHRYSL  NEWPORT    F     S-III  INVS  14    12619  $1410    49846  82/04/29  ECIB
CG  FC-598       85   PLYMTH  RELIANT    F     S-II   INVS  24      985    $49      985  85/09/27  ECIB
CG  G12-37982    81   DODGE   ARIES      P     S-II   INVS  24     8920  $2378    46975  82/08/16  GSA
CG  G12-37998    81   DODGE   ARIES      P     S-II   INVS  24     9990  $2507    41041  85/08/16  GSA
CG  G12-92867    84   CHEVY   CITATION   P     S-II   OTHR  27    10698  $2592    15747  84/06/29  GSA
CG  G21-18665    84   CHEVY   CELEBRTY   P     SW     INSP  25    12891  $3179    17047  84/07/10  GSA

                    TOTAL NUMBER OF VEHICLES ON HAND FOR CG IS  7.


DL  FC-519       80   PLYMTH  GRN FURY   F     S-III  INVS  14    12922  $1559    36859  82/03/12  ECIB
DL  FC-559       81   CHEVY   VAN        F     4X2    MEMU  09    15342  $2452    43643  82/12/14  ECIB
DL  G11-77196    78   PLYMTH  FURY       P     S-III  INVS  15     4030  $2212    52586  78/07/12  GSA
DL  G12-60097    81   PLYMTH  RELIANT    P     S-II   INVS  23    13377  $2740    42328  82/02/19  GSA
DL  G42-32845    79   DODGE   VAN        P     4X2    INSP  14     6719  $2646    52846  79/06/22  GSA

                    TOTAL NUMBER OF VEHICLES ON HAND FOR DL IS  5.


DS  FC-475       75   CHEVY   PICKUP     F     4X2    UTLY  12    11864  $1788   101419  75/04/21  GSA
DS  FC-562       81   CHEVY   VAN        F     4X2    MEDA  07     5318  $1899    20125  84/05/18  HQ

                    TOTAL NUMBER OF VEHICLES ON HAND FOR DS IS  2.


DT  FC-426       74   DODGE   VAN        F     4X2    MEMU  11     6697   $969    81451  82/08/12  CINCINNATI F.O.
DT  FC-554       80   CHRYLR  NEWPORT    F     S-III  INVS  14    21806  $2268   107819  81/08/13  ECIB
DT  FC-592       86   PLYMTH  RELIANT    F     S-II   INVS  23        0     $0      207  86/03/10  ECIB
DT  FC-597       85   PLYMTH  RELIANT    F     S-II   INVS  23      155    $12      160  85/06/26  PO #1351-4,ECIB
DT  G12-75960    83   FPLYTH  RELIANT    P     S-II   INVS  27    16734  $3245    38559  83/06/13  GSA
DT  G12-88404    84   CHEVY   CITATION   P     S-II   OTHR  27    14422  $3002    24222  84/04/17  GSA

                    TOTAL NUMBER OF VEHICLES ON HAND FOR DT IS  6.


DV  FC-525       80   DODGE   ST REGIS   F     S-III  INVS  15    10000   $970    69430  81/06/01  ECIB
DV  FC-564       82   DODGE   ARIES      F     S-II   INVS  19    14438  $1183    25131  83/08/12  ECIB
DV  G12-52670    80   FORD    FAIRMONT   P     S-III  OTHR  22     5960  $2114    48744  80/04/28  GSA
DV  G61-11459    77   JEEP    CHEROKEE   P     4X4    INSP  13      447  $1659    41916  78/01/01  GSA

                    TOTAL NUMBER OF VEHICLES ON HAND FOR DV IS  4.


EC  FC-480       75   FORD    TORINO     F     S-III  UTLY  11     3449   $737    18664  75/05/14  PO
EC  FC-504       72   INT'L   HARVESTR   F     2 1/2  UTLY  06     6747   $427    95504  72/01/01  PO

                    TOTAL NUMBER OF VEHICLES ON HAND FOR EC IS  2.
```

```
Thu Mar 27 1986                FCC MOTOR VEHICLE REPORT - FY 86

OFF LICENSE NO. YEAR  MAKE    MODEL    OWNER CLASS  TYPE MPG MILEAGE COST   ODOM   DATE ACQ  ACQ FROM
--- ----------- ----  ----    -----    ----- -----  ---- --- ------- ----   ----   --------  --------
FE  FC-575       83   PLYMTH  RELIANT   F    SW     INVS  22   16792 $1183  26890  84/03/26  ECIB
FE  FC-593       77   FORD    VAN       F    4X2    EMU   09   11926 $2515  80885  77/12/14  DS
FE  FC-594       81   CHEVY   VAN       F    4X2    MEMU  09   15108 $2794  46129  83/04/06  ECIB
FE  G43-29304    81   DODGE   PICKUP    P    4X2    UTLY  15     360  $121   8380  85/09/23  GSA

                 TOTAL NUMBER OF VEHICLES ON HAND FOR FE IS  4.

FL  FC-469       74   DODGE   VAN       F    4X2    MENU  09    2877  $440  72192  80/06/11  LR
FL  G12-94282    85   FORD    TEMPO     P    S-II   UTLY  28    5567 $1280   5667  85/10/01  GSA
FL  G21-17526    84   CHEVY   CELEBRTY  P    S-II   UTLY  20    5112 $2033   7669  84/04/27  GSA

                 TOTAL NUMBER OF VEHICLES ON HAND FOR FL IS  3.

GI  FC-430       72   INT'L   LOADSTER  F    4X2    EMU   06   13277 $3005 131827  83/04/14  KC
GI  FC-450       72   INT'L   HAVESTR   F    4X2    RESV  06       0    $0      0  67/01/01  PO
GI  FC-483       75   PLYMTH  FURY      F    SW-III INVS  00     241  $185  47932  75/07/28  GSA
GI  FC-557       81   CHEVY   VAN       F    4X2    MENU  10    6145 $1080  30066  83/01/11  ECIB
GI  FC-573       83   CHEVY   MALIBU    F    SW     INVS  20    3645  $363   4522  83/01/11  GSA
GI  G62-12818    86   DODGE   1/2 T PU  P    4X2    UTLY  00       0    $0     20  86/01/17  GSA

                 TOTAL NUMBER OF VEHICLES ON HAND FOR GI IS  6.

GY  G12-16533    84   CHEVY   CITATION  P    S-II   POOL  00    4282 $1005   4292  84/04/25  GSA

                 TOTAL NUMBER OF VEHICLES ON HAND FOR GY IS  1.

HL  FC-553       80   CHRYLR  NEWPORT   F    S-III  INVS  14    8919 $1946  27971  81/08/07  PO
HL  G42-41877    86   DODGE   VAN       P    4X2    UTLY  00       0    $0      0  86/02/11  GSA

                 TOTAL NUMBER OF VEHICLES ON HAND FOR HL IS  2.

HU  FC-532       80   CHRYLR  NEWPORT   F    S-III  INVS  14   11094 $1541  57922  80/09/28  PO
HU  FC-567       82   DODGE   ARIES     F    S-II   INVS  18   13611 $1126  23911  84/09/15  ECIB
HU  G12-58728    82   FORD    FUTURA    P    S-II   INVS  17    9293 $2616  28681  82/07/22  GSA
HU  G12-66528    84   CHEVY   CITATION  P    S-II   OTHR  20   13383 $2736  17120  84/05/08  GSA

                 TOTAL NUMBER OF VEHICLES ON HAND FOR HU IS  4.

KC  FC-521       80   DODGE   ST REGIS  F    S-III  INVS  15   18793 $2816  47672  82/01/22  ECIB
KC  FC-568       82   DODGE   ARIES     F    S-II   INVS  24   14375  $995  23897  84/01/31  ECIB
KC  G21-17664    84   CHEVY   CELEBRTY  P    S-II   INVS  20   10911 $2404  17319  84/05/10  GSA

                 TOTAL NUMBER OF VEHICLES ON HAND FOR KC IS  3.

KI  FC-432       67   INT'L   HARVESTR  F    4X2    RESV  00       0    $0      0  67/01/01  PO
KI  FC-474       75   CHEVY   PICKUP    F    4X2    UTLY  11   12524 $1399  85721  75/05/06  PO - GSA
KI  FC-556       81   CHEVY   VAN       F    4X2    MENU  08   13848 $3058  39422  82/09/21  ECIB
KI  FC-599       85   PLYMTH  RELIANT   F    S-II   INVS  23     363   $43    560  85/06/26  PO 1351-4 ECIB
```

```
                                 TOTAL NUMBER OF VEHICLES ON HAND FOR KI IS  4.


        Thu Mar 27 1986              FCC MOTOR VEHICLE REPORT - FY 86

OFF LICENSE NO. YEAR  MAKE    MODEL     OWNER  CLASS   TYPE  MPG  MILEAGE  COST    ODOM   DATE ACQ  ACQ FROM
--- ----------- ----  ----    -----     -----  -----   ----  ---  -------  ----    ----   --------  --------
LB  FC-509        79  CHRYLR  NEWPORT     F    S-III   INVS   14     8026  $1068   69790  80/09/11  ECIB
LB  FC-526        80  CHRYLR  NEWPORT     F    S-III   INVS   14    15027  $1768   54568  82/06/21  ECIB
LB  G12-60545     80  FORD    FAIRMONT    F    S-III   INSP   15     8939  $2645   47861  80/08/05  GSA
LB  G42-36508     80  DODGE   VAN         F    4X4     INSP   15     3613  $2096   45388  80/08/29  GSA
LB  G61-11982     81  FORD    BRONCO      F    4X4     INVS   13     4630  $2290   35383  81/07/17  GSA

                          TOTAL NUMBER OF VEHICLES ON HAND FOR LB IS  5.


LR  FC-473        75  DODGE   PICKUP      F    4X2     UTLY   12     3857   $518   35434  75/01/01  PO
LR  FC-488        76  DODGE   VAN         F    4X2     MEMU   08     7706  $1518   53624  76/01/01  ECIB
LR  FC-578        75  CHYEVY  VAN         F    4X2     EMU    08     9806  $2484   53889  75/01/01  PO

                          TOTAL NUMBER OF VEHICLES ON HAND FOR LR IS  3.


LV  FC-462        74  GMC     TRUCK       F    2 1/2   EMU    06    10169  $2036  123980  82/10/18  SP
LV  FC-476        75  CHEVY   PICKUP      F    4X2     INSP   13    10085  $1610   89440  75/04/14  PO
LV  FC-482        75  DODGE   VAN         F    4X2     MEMU   10     3125   $693   37533  78/05/02  WP
LV  FC-487        75  CHEVY   VAN         F    4X2     UTLY   09     4764  $1121   72364  75/09/25  PO

                          TOTAL NUMBER OF VEHICLES ON HAND FOR LV IS  4.


MA  FC-533        80  CHRYLR  NEWPORT     F    S-III   INVS   15     7949  $2005   49964  81/06/12  PO
MA  G12-04474     86  PLYMTH  RELIANT     F    S-III   INSP   26        0     $0       3  86/03/05  GSA

                          TOTAL NUMBER OF VEHICLES ON HAND FOR MA IS  2.


NF  FC-498        73  FORD    VAN         F    4X2     OTHR   08     1832   $264   90775  84/02/12  PS
NF  FC-531        80  DODGE   ST REGIS    F    S-III   INVS   15    13258  $1419   39976  82/01/11  ECIB
NF  FC-565        82  DODGE   ARIES       F    S-II    INVS   23    11911  $1016   22539  83/12/01  ECIB
NF  G11-81112     84  DODGE   DIPLOMAT    F    S-II    INVS   17     7090  $2726    7099  84/11/20  GSA
NF  G11-81114     84  DODGE   DIPLOMAT    F    S-II    INVS   17     8772  $3020    8782  84/11/20  GSA
NF  G21-14772     83  PLYMTH  RELIANT     F    SW      INSP   28    16229  $3102   40065  82/11/12  GSA

                          TOTAL NUMBER OF VEHICLES ON HAND FOR NF IS  6.


NY  FC-555        80  DODGE   ST REGIS    F    S-III   INVS   15    10945  $2480   61362  81/08/25  ECIB
NY  FC-570        82  DODGE   ARIES       F    S-II    INVS   23    13499  $1142   24697  83/10/25  ECIB
NY  G12-5474      86  PLYMTH  RELIANT     F    S-II    INSP   25        0     $0     100  86/02/21  GSA
NY  G21-18842     85  FORD    LTD SW      F    SW-III  INSP   00        0     $0    3756  86/02/10  GSA

                          TOTAL NUMBER OF VEHICLES ON HAND FOR NY IS  4.


OR  FC-477        75  DODGE   VAN         F    4X2     MEMU   12     7699  $2825   95125  84/05/05  AL VIA GI
OR  FC-552        80  DODGE   ST REGIS    F    S-III   INVS   18     6982  $1035   28860  82/05/24  ECIB
OR  FC-596        85  PLYMTH  RELIANT     F    S-II    INVS   25      198    $26     205  85/06/26  PO - ECIB
OR  G12-84385     84  CHEVY   CITATION    F    S-II    INSP   25    13355  $2913   19635  85/10/01  GSA
OR  G12-84386     84  CHEVY   CITATION    F    S-II    INSP   25    17020  $3275   19823  84/07/09  GSA
```

```
        Thu Mar 27 1986              FCC MOTOR VEHICLE REPORT - FY 86

OFF LICENSE NO. YEAR  MAKE    MODEL     OWNER  CLASS   TYPE  MPG  MILEAGE  COST    ODOM   DATE ACQ  ACQ FROM
--- ----------- ----  ----    -----     -----  -----   ----  ---  -------  ----    ----   --------  --------
OS  G12-80661    84   CHEVY   CITATION  P      S-II    POOL  00    10113  $1488   14405  82/10/06  GSA
OS  G71-07712    80   GMC     TRUCK     P      2 1/2   UTLY  00     8967  $2408   33819  81/04/02  GSA
OS  G8957        84   FORD    VAN       L      15 PASSPOOL   00     7410  $4009    7417  83/11/04  GSA
OS  G9602-GVT    85   FORD    LTD       L      S-II    CHAR  16    10343  $3735   10357  85/01/10  FORD MOTOR CO

                         TOTAL NUMBER OF VEHICLES ON HAND FOR OS IS  4.

PA  FC-513       79   CHRYRL  NEWPORT   F      S-III   INVS  11    15208  $3132   90894  80/01/16  PO
PA  FC-528       80   DODGE   ST REGIS  F      S-III   INVS  15    25509  $3275   76015  82/05/19  ECIB
PA  G12-92111    84   CHEVY   CITATION  P      S-II    INSP  20    11720  $2425   12796  84/09/04  GSA
PA  G21-18915    84   CHEVY   CELEBRTY  P      SW      INSP  20    11342  $2637   12898  84/07/26  GSA

                         TOTAL NUMBER OF VEHICLES ON HAND FOR PA IS  4.

PL  FC-516       80   CHRYLR  NEWPORT   F      S-III   INVS  15    10056  $1008   44855  82/06/08  PO
PL  G11-74347    78   PLYMTH  FURY      P      S-III   INVS  15     7832  $1254   78571  78/08/10  GSA
PL  G12-87280    84   CHEVY   CITATION  P      S-II    OTHR  18    10058  $2544   15116  84/07/17  GSA

                         TOTAL NUMBER OF VEHICLES ON HAND FOR PL IS  3.

PO  FC-518       80   CHRYLR  NEWPORT   F      S-III   INVS  17    13053  $1409   60424  81/06/15  GSA
PO  G12-89038    84   CHEVY   CITATION  P      S II    INSP  27     8362  $2157    9250  84/08/10  GSA

                         TOTAL NUMBER OF VEHICLES ON HAND FOR PO IS  2.

PS  FC-478       75   DODGE   VAN       F      4X2     MENU  12    12300  $1573   78265  75/05/16  PO
PS  FC-479       75   GMC     TRUCK     F      2 1/2   EMU   06     5217  $1325   79683  75/05/22  PO
PS  FC-494       68   FORD    PICKUP    F      4X2     UTLY  12     1319   $127   90521  76/03/14  B OF A,T & F
PS  FC-574       83   CHEVY   MALIBU    F      SW      UTLY  20    13841   $940   23446  83/07/14  PO

                         TOTAL NUMBER OF VEHICLES ON HAND FOR PS IS  4.

SD  FC-522       80   DODGE   ST REGIS  F      S-III   INVS  13     9926  $1193   38073  81/06/09  ECIB
SD  G62-09934    79   DODGE   RAM CHRG  P      4X4     INSP  09     6333  $2905   39510  81/06/18  GSA

                         TOTAL NUMBER OF VEHICLES ON HAND FOR SD IS  2.

SP  FC-517       80   DODGE   ST REGIS  F      S-III   INVS  16    15857  $2099   72281  81/03/26  PO
SP  FC-563       82   DODGE   ARIES     F      S-II    INVS  20    13877  $1617   33092  83/12/09  ECIB
SP  G12-58632    81   PLYMTH  RELIANT   P      S-II    OTHR  25     8336  $3221   31580  81/08/03  GSA
SP  G[illegible]-58633    81   PLYMTH  RELIANT   P      S-II    INVS  25    10652  $2686   53454  81/08/03  GSA
SP  [illegible]1-14040    84   DODGE   TRUCK     P      4X4     INSP  13    19156  $5020   19393  84/07/26  GSA

                         TOTAL NUMBER OF VEHICLES ON HAND FOR SP IS  5.

SJ  FC-512       79   CHRYLR  NEWPORT   F      S-III   INVS  11     6456  $1312   37423  80/05/01  ECIB
```

(1) the President;

(2) the heads of executive departments listed in section 101 of title 5; or

(3) principal diplomatic and consular officials."

Accordingly, the Commission's Field Operations Bureau has been given approval by the Chairman to take vehicles home under certain situations.

Field supervisors are delegated authority to authorize employees to drive Government vehicles to their residence in the following situations:

- There are instructions to stand by for alert on a high priority assignment.
- Early departure on a trip starting the next morning when substantial time will be saved.
- Late return from an assignment and parking of the vehicle in the FCC provided space is impossible, very inconvenient, or highly impractical.
- Maintenance of equipment is not feasible at the FCC provided space.
- Short term (not to exceed 15 days) situations where the FCC space does not provide adequate security for the technical equipment installed or carried in the vehicle. No vehicles are taken home for any other reason or condition unless approved in advance by the Chief, Field Operations Bureau.

e. Vehicles on hand at the end of the indicated fiscal year:

End Of FY	FCC Owned	GSA Pool	Commercially Leased	Total
1977	67	113	29	209
1978	60	94	17	171
1979	66	86	15	167
1980	61	86	17	164
1981	85	75	1	161
1982	83	68	1	152
1983	86	53	2	141
1984	82	53	2	137
1985	83	55	2	140

Common Carrier Bureau

Question: FCC Budget assigns 24 positions for performing audits of telephone companies' accounting records to assure compliance with Commission regulations and recent Commission and court decisions.

a. What has FCC done to pursue turning over this function to independent auditing firms and having the telephone companies take responsibility for the applicable auditing fees?

b. Why is it essential for FCC staff to perform these audits?

c. Do the companies reimburse FCC for the cost to perform these audits?

Answer:

a. The Commission is actively pursuing this approach. For example, in a recent order allowing AT&T to jointly market Customer Premises Equipment (CPE), we required AT&T to have the allocation of its joint marketing cost audited by an independent auditing firm. In addition, the Commission's recent Notice of Proposed Rulemaking concerning the allocation of carrier costs between regulated and nonregulated operations proposed requiring all major carriers to have their allocations audited annually by an independent auditing firm. If these audits prove to be effective, the Commission will pursue the possibility of using independent auditors in other areas. An example of an additional area where such audits could be required is the carriers' allocations of cost between the state and interstate jurisdictions.

b. Current audits by the Commission staff are essential because this is the only way the Commission has any assurance that carriers are complying with the Commission's rules and policies. The Commission, however, as noted in our response to Question a, is considering audits of carrier operations by independent auditing firms. If this approach proves to be successful, the staff audits can be reduced to cover only the occasional audits of politically sensitive areas of carrier operations. It will, however, be essential for the Commission to maintain its present limited audit staff to review the independent auditors' reports and related workpapers to ensure that the audits are truly independent, to recommend changes in rules or policies that are covered in the audits, and to assure that the audits are in compliance with Generally Accepted Auditing Standards.

c. There are currently no provisions in the Communications Act that authorize the Commission to charge the carriers for Commission audits. The Commission is now considering a proposal by the staff for legislative action that would authorize the Commission to charge for these audits.

Question: Page 69 of the budget estimates lists revision of the Uniform System of Accounts (USOA) as a FY 1987 objective.

a. What is the latest estimated date for FCC's implementation of the revised USOA?

b. How many of the approximately 1,400 local telephone companies will be required to change their accounting systems to reflect the revised USOA?

c. What resources does the 1987 budget proposal devote to determining whether USOA implementation and changes in jurisdictional cost allocations are adversely affecting small and rural telephone companies?

d. Please provide the estimated cost that a typical Bell Operating Company and a typical small rural telephone company might need to spend for conversion to the revised USOA?

Answer:

a. The Commission plans to take action on the revised USOA during the second calendar quarter of this year. The Commission's staff currently plans an effective date for the new USOA of January 1, 1988.

b. As proposed, the new USOA would establish two classes of carriers. Class A companies with annual operating revenues of $100 million or more would be required by the new USOA to maintain a more detailed accounting system than Class B carriers with annual operating revenues below $100 million. By our proposed rules, the new USOA would impose the Class A system on 40 carriers and the Class B system on 35 carriers. There are, however, other forces in the telecommunications industry which could result in many other companies adopting the new accounting system. For example, many small companies with revenues below $100 million are required by states to maintain the FCC accounting system or they maintain the FCC system because it facilitates their interactions with the rest of the telecommunications industry, particularly in the settlements area. It should be noted, however, that the current threshold for adopting the most detailed level is $250,000 in annual revenues. Thus, many companies with revenues between $250,000 and $100 million would be subject to the Class B system with less detail than they are now required to maintain.

c. We plan several activities involving USOA implementation and jurisdictional cost allocations. A new Joint Board will be convened for the purpose of recommending Separations Manual changes needed to apply separations procedures to the new system of accounts. We are also constructing a model to test the changes brought about by the new USOA. For the most part, these activities will be accomplished within existing resource requests.

d. The Notice of Proposed Rulemaking specifically solicited comments regarding implementation costs. Most estimates for the Bell Operating Companies were submitted by the Regional Holding Companies on behalf of their subsidiaries. These regional estimates for combined subsidiary companies ranged from a low of $52 million to a high of $112 million. As one example, NYNEX submitted an estimate of $69.7 million for its subsidiary companies--$23.4 million for New England Telephone and $46.3 million for New York Telephone. During 1984, operating revenues for New England Telephone Telephone Company and New York Telephone Company were $2.8 billion and $6.4 billion, respectively. Small company estimates also varied widely. Missouri Telephone Company, a small telephone company with 1984 operating revenues of $6 million, estimated conversion costs of approximately $85,000. Great Plains Communications, a small company generating approximately $12 million in operating revenues annually, estimated their costs at $300,000. But Great Plains' estimates were based on adoption of the Class A accounting system. All of these estimates assume the new USOA would be adopted exactly as proposed. Partly as a result of these estimates, a series of direct meetings was held with telephone companies and associations representing groups of telephone companies to explore ways to reduce these costs. These meetings have proven fruitful and many of the cost reduction suggestions forwarded during these meetings will be included in the draft USOA presented for the Commission's final action.

Question: FCC's budget requests $280,000 for applications programming for the data base that will result from the revised Uniform System of Accounts for telephone companies. The budget estimates state that the computerized data base management system being developed will be able to perform timely and accurate costing studies, financial and special periodic reports, and analyses of facility and plant utilization.

a. What is the estimated life cycle cost of the USOA computerized data management system broken down by development costs and annual operating costs?

b. Will this data base be available to the public? If so, will the public be charged a fee?

c. What has FCC done to pursue turning over this data base, for a fee, to a private concern that would make the data base available to the FCC for free, but charge others for access?

Answer:

a. The total system development costs for the three-year development period are: $948,000 for 1987, $1,053,000 for 1988, and $668,000 for 1989. After system development is complete, annual operating costs are expected to be $92,000 for hardware support and $63,000 for software support.

b. It is not anticipated that the Commission's data will be directly accessible to non-commission personnel. However, a copy of the non-proprietary portion of the data base could be provided to a third party contractor, if there is sufficient interest for access to the data. The contractor would probably charge a fee for access to the data base to recover his cost and obtain a profit.

c. To date the Commission's efforts have been expended primarily to define overall system requirements and capabilities and to implement the rulemaking process. Upon receipt of comments and reply comments from the industry, other regulatory bodies and the public, completion of the rulemaking process, and the Commission will be a position to know the extent of interest for access to the Commission's data base. If sufficient interest is present the Commission will investigate the concept of turning over the data base for a fee to a private concern that would make the data available to the FCC for free, but charge others for access.

It is not anticipated that the Commission's data base will be directly accessible to non-commission personnel. However, a copy of the non-proprietary portion of the data base could be provided to a third party contractor, if there is sufficient interest for access to the data. The contractor would probably charge a fee for access to the data base to recover his cost and obtain a profit.

c. To date the Commission's efforts have been expended primarily to define overall system requirements and capabilities and to implement the rulemaking process. Upon receipt of comments and reply comments from the industry, other regulatory bodies and the public, completion of the rulemaking process, and the resultant finalization of the system capabilities and benefits definition, the Commission will be in a position to know the extent of interest for access to the Commission's data base. If sufficient interest is present, the Commission will investigate the concept of turning over the data base to a private concern that would make the data available to the FCC for free, but charge others for access.

Question: The budget reports that the Common Carrier Bureau received about 24,000 informal complaints, comments, and inquiries in 1985. Please provide a breakdown of these by the nature of the complaint or comment. How many staff are assigned to process and act on these problems and comments?

Answer: We received 10,943 verbal complaints and inquiries, 8,509 written informal comments on tariff or rulemaking proceedings, and 5,069 written complaints and inquiries. Although we have recently put in place a data base which can provide a subject matter breakdown, we do not have a total subject matter breakdown for FY 1985 cases. Major subject areas included private line and WATS service provisioning, embedded customer premised equipment (CPE) price predictability program, lack of answer supervision, interstate directory assistance charges, availability of Dial-A-Porn, radio program service and other special access billing and rates, receive only earth station policy, receipt of unsolicited calls, equal access/presubscription, subscriber line charges, and general MTS/WATS billing disputes - domestic and international.

The workload can generally be categorized as follows: (1) Verbal complaints and inquiries: These are the less complicated cases and involve telephoned inquiries that can be answered by telephone, either by giving the caller information or by calling the applicable carrier to resolve the complaint. Approximately three workyears are devoted to this category. (2) Written informal comments: Approximately one-half workyear is devoted to this category, which involves scanning all incoming correspondence to determine whether the letter should be associated with ongoing dockets and which cases require assignment to a case officer. Those that can be associated with an existing proceeding are considered written informal comments. (3) Written complaints and inquiries: These can involve more complex complaints that require service on a carrier as well as more routine written complaints. This category also includes written inquiries requiring a written response from the staff, including congressional inquiries on behalf of constituents. Many of the more routine inquiries are answered by a series of 30 fact sheets on common carrier matters, while less routine inquiries require individualized response. The majority of the workload in this category is written complaints. Approximately 12.5 workyears are devoted to the written complaints and inquiries category.

Question: The introduction to the budget estimates states that FCC has promoted competition in international telecommunications, but have FCC's actions actually resulted in increased competition?

Please provide for the record any internal staff studies or other evidence that empirically show growth in competition in international telecommunications markets.

Answer: While we have no discrete staff study, there has been demonstrable growth in competition in the provision of international telecommunications services, as evident from the number of applications filed by new entrants for international message telephone service (IMTS) and other services. Until recently, telephone service between the United States and overseas points was provided by one carrier, AT&T. However, four carriers have now been authorized to provide telephone service in competition with AT&T to various overseas points. AT&T now faces competition on a direct service basis in Argentina, Australia, Belgium, Brazil, Canada, the Dominican Republic, France, Greece, Hong Kong, Mexico, the Netherlands, Singapore, Switzerland, and the United Kingdom. New entrants are providing service to additional points on a transit basis. Also fourteen new entrants have been authorized to provide resale of international message telephone service to numerous international points, including, in many instances, all those international points served by AT&T. In addition, other new entrants have been authorized to provide services such as telex, international document transmission, INTELNET facsimile, videoconferencing, private-line and other services to various international points.

There is also evidence of increased competition in the provision of other international services. In December, 1984, the Commission liberalized its earth station ownership policy for earth stations operating with the INTELSAT satellite system, permitting international common carriers to own and operate such earth stations. This policy change, coupled with INTELSAT's offering of INTELSAT Business Services, has led to the authorization of 41 new earth stations for the provision of INTELSAT Business Service and television services. In addition to existing international carriers, 15 new entrants are among the licensees for these earth stations.

In addition to an increased number of entities providing international common carrier services, a number of entities provide international enhanced services. Because enhanced services are not regulated by the Commission, we do not have records of the numbers of entities providing international enhanced services.

The Commission has also authorized two private digital, optical fiber cable systems to be constructed in the North Atlantic region and five private satellite systems to be constructed for international use. All five of these private satellite systems propose operating in the Atlantic Ocean region. One of these five private systems also proposes to operate in the Pacific ocean region as well. An application for another private satellite system proposing to operate in the Pacific Ocean region is pending.

Question: In Fiscal Year 1984 FCC reorganized the Common Carrier Bureau's divisions creating the International Policy Division, which was charged with three major functions. One of these is to "...analyze trends in the international telecommunications industry, utilizing econometric techniques, to measure impact of FCC international telecommunications policy."

a. Please describe the results of this work since the formation of the division, in terms of internal or external reports produced, types of data collected and analyzed, types and number of staff recommendations to the Commission and specific FCC actions taken because of these trend analyses and recommendations.

b. Please list by grade and title the number of International Policy Division staff devoting more than half of their time monitoring marketplace trends, rather than on specific deregulatory or facilities planning dockets. What is the total staffing of the division by grade and title?

c. What priority does the Commission give to longer term analytical and monitoring work in international telecommunications versus completing current dockets and reacting to industry filings?

Answer:

a. The industry monitoring function of the International Policy Division has not been as extensive as hoped. This Division relied on information traditionally collected. The primary sources used for monitoring trends in international telecommunications are the Monthly Circuit Status Reports which indicate the number of circuits in use by international carriers for the provision of certain services and the traffic and revenue data filed for certain international services pursuant to Section 43.61 of the Commission's Rules and Regulations. Records of the Commission's authorization of international facilities are also utilized in monitoring the international industry.

No internal or external reports relating to industry monitoring were produced by the Division. However, analyses of the international industry have been undertaken in connection with a number of Commission proceedings and have formed, in part, the basis for the decisions taken in those proceedings. An analyses of the level of competition in international message telephone service and in international record services was performed and formed an important decisional element in the Commission's formulation of guidelines for the distribution of circuits among available North Atlantic facilities during the 1986-1991 period. An analysis of the effect of various guidelines on Comsat and INTELSAT was also performed and considered. A similar approach was used in developing guidelines for the distribution of circuits among available Pacific region facilities during the 1986-1991 period. We anticipate this approach will also be utilized in the pending consideration of circuit distribution guidelines for Caribbean region facilities.

The structure of the international telecommunications market and the status of competition in the provision of the various international services were central elements in the Commission's decision to streamline regulation of non-dominant international carriers in its International Competitive Carrier proceeding.

An analysis of the effect of authorization of non-INTELSAT separate satellite systems on INTELSAT also was performed and considered in the Commission's proceedings leading to the authorization of separate satellite systems.

Because of the difficulties in meeting the stated functions of the International Policy Division we have recently reorganized the Common Carrier Bureau along functional lines to improve the monitoring and analysis of the international telecommunications' industry trends. The reorganization places the responsibility for monitoring the international market with the Industry Analysis Division. This structure is expected to better serve the Bureau since it will be more conducive to the coherent integration of regulated Domestic and International Policy initiatives.

b. There are no international Policy Division staff members who have devoted more than half of their time to monitoring the international marketplace. However, monitoring the status of the international marketplace and performing analyses of the industry as a part of drafting recommendations to the Commission in proceedings such as those cited above were performed by a number of Division members. The total authorized staffing of the International Policy Division before its abolition as a part of a current reorganization of the Common Carrier Bureau along functional lines was as follows:

Title and Grade		No. of Persons
Supervisory Attorney-Advisor	GM-15	1
Electronics Engineer	GS-15	2
General Attorney	GS-15	1
Attorney-Advisor	GS-14	2
General Attorney	GS-14	1
Industry Economist	GS-14	1
Attorney-Advisor	GS-13	2
Attorney-Advisor	GS-12	1
Secretary (Typing)	GS-5	1
TOTAL		12

c. The Commission continues to give analytical and monitoring work in international telecommunications a high priority. As a part of reorganizing the Common Carrier Bureau along functional lines, the responsibility for analyzing trends in the international telecommunications industry, utilizing econometric techniques to measure impact of FCC international telecommunications policy has been assigned to the Industry Analysis Division. This Division is responsible for monitoring the impact of policy decisions on the telecommunications industry and users, for both domestic and international common carrier services. We anticipate that this restructuring of the Bureau's functions will further improve monitoring of the international telecommunications industry by isolating that activity from the pressures of completing current docketed proceedings and acting on industry filings.

Question: Page 76 of the budget estimates states that the Census Bureau is providing the Industry Analysis Division with a statistical computer tape at an annual charge of $30,000. Describe the use that has been made of the two tapes you have received so far and provide us with a copy of your preliminary analysis of the tapes.

Answer: The $30,000 reimburses the Census Bureau for its additional costs in collecting and processing information requested by the FCC. For the $30,000 we get, in addition to the computer tapes, reports three times a year summarizing telephone penetration by state. We have begun publishing this information. The first report was released February 5, 1986, and future reports will be made every four months. A copy of the report follows. Many tables have also been generated relating telephone penetration to other characteristics covered by the survey. Copies of these tables are also provided below. An analysis of these tables is in the process of being written and will be available shortly. The analysis conducted thus far is primarily cross sectional since we do not yet have data for a sufficient period of time to undertake time series analysis.

Question: Page 76 reports FCC has reached an agreement with the Rural Electrification Administration (REA), whereby REA will generate information on rural service at no cost to the FCC.

a. Please provide for the record a copy of the agreement that FCC reached with the REA, and describe the kinds of additional information that the REA has provided FCC.

b. What does this information indicate about the level of residential subscribership and costs of rural telephone service?

Answer: The FCC has an informal rather than formal written agreement with the REA to provide us with information on rural service. In 1985, REA provided us with computer printouts of rural rates by state and class of telephone company, for the years 1972 and 1982. During our talks with REA officials at that time, they indicated a desire to collect detailed rate information on a continuing basis and, in fact, devised a reporting sheet on local service rates data which was to be included in their annual REA reporting form. A copy of this form is provided below. However, they decided not to include this sheet with the reporting form because it was feared that its complexity would place too onerous a burden upon the companies.

In general, rural telephone rates tend to be below urban rates and the differential appears to have remained roughly constant during the 1972-82 period. At a meeting on February 28, 1986 with REA officials, they indicated that they had not received any complaints of any large rate increases by their borrower companies. They said that rural rates have tended to be fairly stable because the rural telephone companies generally tend to maintain constant rates over longer periods of time than the large companies. The subscribership data received from the Census Bureau does not contain an urban/rural breakdown. It does, however, classify households as either "farm" or "nonfarm". About 95% of farm households have telephones compared with a penetration rate of 92% for nonfarm households.

Question: What resources from the 1987 budget will be devoted to monitoring bypass of the local telephone company in both the interstate and state juristictions?

What FY 1986 and FY 1987 budget resources are devoted to determining the actual bypass threat posed by various tariffs submitted to the FCC? In particular, what resources are available to evaluate the bypass implications of experimental tariffs submitted by Bell Operating Companies and AT&T for such services as Megacom and the Software Defined Network?

Answer: In May 1985, the FCC instituted a reporting requirement which will enable an assessment of the actual bypass which is occurring. [May 28, 1985 Order on AT&T Communications tariffs (para. 117 and 118, FCC Nos. 9, 10, and 11.)] As a dominant carrier, AT&T will provide a significant indicator of bypass activity as described in detail in the staff study on bypass. The data being required from AT&T is divided into two parts. First, we are requiring data on the number of customer provided access requests and commitments. The commitments are further subdivided by technology type (i.e., microwave, fiber, cable), by application (i.e., integrated data or voice) and by capacity. All bypass activity indicated to date involves digital facilities. In addition, we are separately tracking the agreements between AT&T and alternative access suppliers. Finally, we are obtaining statistics on the number of special access channels obtained from local exchange carriers versus those obtained from outside suppliers.

The data being collected would provide a leading indicator of overall bypass activity associated with services such as Megacom. So far, we note some bypass activity in New York City. However, only two out of 86 letters of intent have resulted in signed contracts between customers and alternative suppliers and only two agreements between AT&T and alternative suppliers have been concluded. The results of our monitoring efforts thus far support the overall conclusions made in our earlier study and do not suggest the need for any more intensive bypass study at this time. These monitoring efforts, however, may trigger a further investigation if bypass activity shows any dramatic rise. The bypass monitoring now underway requires approximately two work years in FY 1986 and FY 1987.

With respect to the AT&T Software Defined Network (SDN) tariff, the Commission has required the Common Carrier Bureau to prepare information requests in order to obtain actual performance information from AT&T. See AT&T Communications, Transmittal No. 321, Memorandum Opinion and Order, FCC 85-583 (released Nov. 7, 1985) at para. 17 n.13. Approximately 40 hours of Bureau staff time will be utilized for the preparation of this information request during FY 1986. Additional existing resources will be made available, as necessary, to analyze the AT&T response during FY 1987. It is unclear at this time exactly how many workyears will be involved in FY 1987. The Commission explicitly decided to continue its investigation of the SDN tariff in order to determine its impact on customers and the industry. See id. at para. 17.

```
        Thu Mar 27 1986              FCC MOTOR VEHICLE REPORT - FY 86

OFF LICENSE NO. YEAR  MAKE    MODEL     OWNER  CLASS   TYPE  MPG  MILEAGE  COST    ODOM   DATE ACQ  ACQ FROM
--- ----------- ----  ----    -----     -----  -----   ----  ---  -------  ----    ----   --------  --------
ST  FC-520       80   PLYMTH  FURY        F    S-III   INVS  16    17259  $2062   71059  82/01/11  PO ECIB
ST  G12-61563    82   FORD    FAIRMONT    F    S-II    INVS  19    13090  $2755   52895  82/03/29  GSA
ST  G12-64345    83   CHEVY   CITATION    F    S-II    INSP  21    10931  $2574   28856  83/06/02  GSA

                          TOTAL NUMBER OF VEHICLES ON HAND FOR ST IS  3.

TP  FC-551       80   CHRY    NEWPORT     F    S-III   INVS  14        0     $0       0  80/01/01  PO
TP  G12-98119    85   FORD    TEMPO       F    S-III   INVS  00     6783  $1344    6883  85/03/25  GSA

                          TOTAL NUMBER OF VEHICLES ON HAND FOR TP IS  2.

                     TOTAL NUMBER OF VEHICLES ON HAND FOR FCC IS  141.
```

Field Operations Bureau

Question: How much is included in FCC's FY 1987 budget for the procurement of technical equipment for the Field Operations Bureau and maintenance of existing equipment? What type of technical equipment is the Bureau procuring?

Answer: The FY 1987 request contains $800,000 for procurement of technical equipment and $28,000 for repair of existing equipment. The funds will be used to acquire spectrum analyzers, signal generators, HF receivers, and VHF/UHF receivers. Much of the equipment on hand is beyond repair or the repair cost would exceed replacement cost. Additional equipment is also needed to assure adequate coverage nationwide in all frequency bands.

Question: Please explain the rationale for the increase in the number of field operations personnel called for in fiscal 1987.

a. What are the proposed titles, grades and locations of the 10 additional positions requested?

b. What have been the staffing levels in field operations since fiscal 1981? Does this 1987 increase restore previous work year or position cuts?

Answer: Along with the rest of the Commission the Field Operations Bureau (FOB) has been attempting to streamline, over the past few years by reducing positions, workyears, and other object expenditures to the essential minimum needed to perform required work. In FY 1985 we found we had reduced positions below the minimum number necessary to carry out its primary mission. At present, FOB is not staffed to perform some essential functions, or is performing the function at below minimum level. This is particularly true in the monitoring program. We can no longer respond to requests for assistance from other domestic agencies or foreign administration in a timely manner. While the monitoring function is the most significantly understaffed, the public service and investigations and inspections programs are also below minimum acceptable levels.

a. Atlanta Region	
1 Electronics Engineer	GS-855-5, 7 or 9
1 Clerk	GS-303-5
Boston Region	
1 Electronics Engineer	GS-855-5, 7 or 9
1 Field Public Service Specialist	GS-1001-5
Chicago Region	
1 Electronics Engineer	GS-855-5, 7 or 9

Kansas City Region	
1 Electronics Technician	GS-856-5, 6 or 7
1 Clerk	GS-303-5
San Francisco Region	
1 Clerk	GS-322-4
Seattle Region	
1 Electronics Engineer	GS-855-5, 7 or 9
1 Clerk	GS-303-5

b.

FY 1981	455
FY 1982	423
FY 1983	433
FY 1985	395
FY 1986	395

The increased workyears are needed to restore activities to a minimum acceptable level as explained above.

Question: The dollar amount shown for the FY 1987 Field Operations activity on page xiii of the budget estimates is lower than the FY 1986 figure, despite an increase of 10 positions. What accounts for this reduction in dollars with a larger staff?

Science and Technology

Answer: The dollar amounts shown on page xiii of the budget reflect other object expenditures as well as compensation and benefits. The most significant factor reduces the amount of funding for this activity is the large amount of one-time FY 1986 expenditures deleted from the FY 1987 budget base. A total of $460,000 is one-time FY 1986 expenditures was deleted from the base FY 1987 budget for this Activity.

Question: The budget requests an additional $66,000 in FY 1987 to improve the Office of Science and Technology's (OST's) equipment authorization and sampling capabilities and to replace aging and obsolete technical equipment at the Commission's Laboratory. Is this part of a long-term effort to upgrade FCC's technical equipment? What more remains to be done in the next three years? How much more money will be needed?

Answer: The request for an additional $66,000 in FY 1987 for technical equipment is part of a long term effort to replace aging and obsolete instrumentation at the Commission's laboratory. The amount requested also includes funds needed for equipment to carry out specific activities projected to occur during FY 1987. There will be a continuing need during the next several years to replace obsolete instruments that are unrepairable or unsuitable for continued use at the laboratory in light of rapidly advancing technology. In addition, specific testing activities planned for FY 1987 and beyond will require equipment not presently on hand at the laboratory. For the five years prior to FY 1985, funds to purchase technical equipment declined from $90,000 in FY 1979 to less than $10,000 in FY 1984. In FY 1986, due to the Gramm-Rudman-Hollings sequestration, the technical equipment budget for OET is only $3,000. In order to maintain the present level of equipment, and to conduct the equipment testing planned for the next several years, we anticipate the need for $50,000 a year for the next three years to purchase technical equipment. This amount does not include highly specialized equipment, which, because of our limited need for this equipment, we plan to rent rather than purchase. Funds for equipment rental were also included in our budget request.

Question: Regarding OST's National Spectrum Management activities and frequency allocation matters, what has FCC done to negotiate with NTIA to promote more sharing of little-used government frequencies with private users?

Answer: The FCC has completed negotiations with NTIA to provide for greater sharing for private users in the following spectrum areas: (1) land mobile use of the 421-430 MHz band in Detroit, Cleveland and Buffalo; (2) mobile satellite use of the 1.5 GHz band; and (3) the use of 173.025 MHz for a public safety auto theft location device. Negotiations continue with NTIA to promote more sharing in other spectrum areas.

Additionally, NTIA is developing a "Long Range Plan for Management and Use of the Radio Spectrum." This plan, which will assess the government's use of spectrum, is being coordinated with the FCC. Once this assessment is completed, further negotiations with NTIA will be initiated to promote additional private user sharing.

Question: FCC's recent reorganization of OST into the new Office of Engineering and Technology (OET) apparently consolidates functions and reduces divisions in the office. Yet the budget estimates call for no change in positions or work years.

a. Please explain why staffing will not change if the management of the office is consolidated and management positions were cut, as has been reported.

b. What is the new organizational structure and staffing of OET's managing office and divisions?

c. Does the reorganization result in budget savings in the current and out years?

d. How does the reorganization of international activities out of OST last year contribute to the budget savings, if any? Did the removal of international activities to the bureaus result in a net increase or decrease in resources devoted to these issues?

Answer:

a. As a result of the reorganization of the Office of Science and Technology, four positions were reallocated to meet high priority requirements elsewhere within the Commission. Because the reorganization was approved after the submission of the FY 1987 budget, those changes were not reflected in the FCC's FY 1987 Budget Estimates.

b. The Office of Engineering and Technology is composed of 95 staff members. The OET front office includes the Chief Engineer and a new Program Management Staff, responsible for the day-to-day operation of the Office. This front office comprises a staff of 12. The remaining staff members belong to one of two divisions-- the Spectrum Engineering Division (located in Washington, D.C.) or the Authorization and Evaluation Division (all but one branch is located at the FCC's laboratory in Laurel, MD). They are made up of 40 and 43 persons, respectively. The Spectrum Engineering Division incorporates five branches and the Office of the Division Chief. The Authorization & Evaluation Division includes four branches.

c. No. The reorganization reflects an evolutionary change in emphasis of the office from scientific to engineering activities, and also was designed to realize management efficiencies. The four positions saved as a result of the reorganization have been redistributed to other high priority areas within the Commission.

d. Last year's reorganization of international activities out of OST did not contribute to budget savings. OST personnel were transferred to bureaus and offices throughout the Commission with line responsibilities in the international area, resulting in no change in resources devoted to these issues.

Mass Media Bureau

Question: How many work years does the Mass Media Bureau devote to reviewing and promoting equal employment opportunity within the broadcast and cable industry?

Answer: The Mass Media Bureau presently devotes approximately 13.5 work years annually reviewing and promoting equal employment opportunity within the broadcast and cable industry.

Question: What quantitative measure does FCC have to show that its efforts have improved the EEO profile of the broadcasting industry? Please provide for the record the results of these measurements for the last 5 years.

Answer: Each year we prepare an analysis of minority and female representation in the broadcast and cable industries. The analysis is based on reports which broadcasters and cable operators submit annually. The reports show the composition of staff by gender and race or national origin. Nine job categories are included ranging from Officials and Managers to Service Workers. Designated minority classes are Blacks, Asians, American Indians, and Hispanics. Our analysis of these reports for 1981 through 1985 show that in the broadcasting industry female and minority employment in the upper-four job categories (Officials and Managers, Professionals, Technicians, and Sales Workers) has increased from 24.9% to 28.6% and from 12.7% to 13.5%, respectively. Total female and minority employment in the broadcasting industry increased 34.2% to 37.0% and from 15.1% to 15.9%, respectively. In the cable industry, female and minority employment in the upper-four job categories increased from 16.5% to 23.5% and from 10.9% to 14.7%, respectively. Total female and minority employment in the cable industry increased from 33.4% to 38.3% and from 14.0% to 18.1%, respectively.

Question: The budget justification explains on page 3 that four of the five positions proposed to be added to the Mass Media Bureau are to help handle the increased workload created by Low Power Television (LPTV) applications. a. Are more personnel and another national LPTV "open window" for applications justified in light of the success rate of LPTV licensees thus far? b. Has LPTV been implemented as expected, considering the number of construction permits expiring because permittees failed to construct? c. Exactly how many construction permits have been granted to date? How many permits have expired without construction occurring and what number have been extended? How many applications are pending t date and how many LPTV stations are now on the air providing service to the public? d. How can a further allocation of resources to LPTV processing be justified given the number of alternative television programming sources available to the public?

Answer: With respect to questions "a and d", we believe that the additional clerical positions and another "open window" for low power television applications are justified. Our experience has shown that the success rate of LPTV licensees thus far has been positive, considering the newness of the service and the fact that many licensees are engaged in the initial phases of construction and operation. In the past, the passage of time needed to develop procedures to process applications perhaps hindered the growth of the service. However, at present the number of authorized facilities is growing rapidly nationwide. Public interest in the service is considerable and is evidenced by the large number of LPTV applications on file with the Commission. More than 40,000 applications have been filed since the new LPTV and TV translator service was initiated in 1980.

LPTV stations are now authorized in many large and medium sized markets and also in smaller rural communities in virtually all regions of the country. Our experience also has shown that many licensees of television translator stations have notified the Commission of their intention to change to the LPTV status, thereby looking toward some amount of program origination. Numerous letters and telephone calls, including those from members of Congress, convince us that there is a strong and growing demand for the opening of another filing window. These inquiries come from all sectors -- for example, interested entrepreneurs new to the service, existing licensees seeking a major change to improve their facilities, full-service television station licensees wanting to install new translators to increase or fill in coverage areas, rural communities needing a local television outlet, and prospective applicants in urban areas desiring to present programs tailored to diverse ethnic populations. Moreover, licensees are seeking additional stations, having found that the operation of several stations is more economically feasible. Opening another window will, we believe, be responsive to this demand and promote the benefits to the public of this service. We also believe the LPTV service is beginning to become a competitive force in the telecommunications marketplace. At least one LPTV station has been authorized in 70 of the top 100 television markets.

Continued interest in the LPTV service indicates that it is one of the desired vehicles for delivering programming. Moreover, it is sometimes the only way to obtain programs of local interest in smaller communities or for population segments in urban areas. In the latter case, interference considerations may preclude an additional full power television station to meet such needs. Thus, the flexibility of LPTV to be tailored to serve local needs and its ability to be received free off-the-air makes it more attractive than some other programming sources and represents a more efficient utilization of the broadcast spectrum. Additionally, our experience suggests that television channels are still available for more LPTV operations in many areas where alternative programming sources are not yet available to everyone. Thus, we believe LPTV is still a desirable service based on its flexibility, low cost and public demand.

b. At present, more than 1,600 low power television stations have been authorized and, in this respect, LPTV will soon surpass the number of full-service television station authorizations. As noted above, these LPTV authorizations permeate many geographic and demographic sectors of the country. Thus, low power television as an industry is being successfully implemented. The congressional mandate to increase minority ownership and the diversity of voices through the use of LPTV lotteries is being achieved. For example, more than 40 percent of nearly 1,000 LPTV lotteries conducted to date have been won by an applicant controlled by members of a minority group. While initiation of service has been slowed somewhat by the unexpectedly large volume of applications (25,000 were received in early 1984), this volume signifies a healthy future for the full development of the LPTV service as a part of the telecommunications marketplace. Viable LPTV stations now operate in all parts of the country, and their owners indicate an optimism and a determination to achieve the goals envisioned by the Commission and the Congress for this service.

c. To date, 1,630 low power television station construction permits have been granted. Of these, 352 stations have been licensed and are now serving the public, and 1,207 permits are outstanding. Only 71 (4%) have been cancelled for failure to construct, which does not appear inordinately high for an emerging service. Data on the number of extended permits are not available, due to a lack of computer capability to distinguish between facilities modifications and extensions of time to construct. 1/ The current application backlog for LPTV and TV translators stands at about 14,500.

1/ It should be noted that in December of 1985, the Commission extended the time to construct LPTV and television translator stations from 12 to 18 months.

Question: We are aware that the Public Printer, at the Government Printing Office, has certain initiatives to encourage Federal agencies to take maximum advantage of GPO commercial procurement contracts. Also, the new GPO electronic publishing procurements are now saving very substantial tax dollars. We would like to know what plans you may have to increase your reliance on GPO commercial procurements for both printing and electronic publishing.

Answer: We do not plan to increase our reliance on commercial GPO procurements primarily because 98% of our jobs are Marginally Punched forms which must be processed through the Main GPO. The remaining 2% of our orders i.e., Monthly Decisions, Bound Volumes of FCC Rules and Regulations, Common Carrier Annual Reports, Statistics of Common Carrier Tapes and the TVI Handbook are GPO commercially procured. With exception of the Monthly Decisions the aformentioned items are ordered erratically each year based on the availability of funds.

Question: What would be the impact on the activities of each agency in the Department if each agency received the same amount for FY 1987 that was appropriated for FY 1986 before sequestration with no other adjustment for uncontrollable items?

Answer: The FY 1986 appropriation for the FCC is $94,400,000. At this funding level, the Commission could support approximately 1,773 full-time, permanent positions. This is a reduction of 52 full-time, permanent positions from the beginning FY 1986 staffing level and is 82 below the number of full-time, permanent positions requested in our FY 1987 Budget Request.

We have already reduced the full-time permanent positions in FY 1986 as a result of a total hiring freeze to accommodate the required reduction of $4 million for the Gramm-Rudman-Hollings sequestration. We had anticipated that this reduction would be of a temporary nature through the end of FY 1986, and that we would be able to hire up to our authorized strength soon after the beginning of the new fiscal year.

The proposed $94 million budget would allow partial, but not full, restoration of the positions lost due to Gramm-Rudman-Hollings reductions and would eliminate the requested increases. While the Commission can and has operated with reduced staff, continuation of lower staffing levels will reduce our effectiveness.

PERSONNEL:

With this funding level, all Commission activities and programs will continue to operate at lower than acceptable staffing levels. Our incremental request for FY 1987 is very modest and is needed to meet our current and expected workload, maintaining our current level of effort and service. The following analysis documents as accurately as possible the consequences of a $94 million budget:

Field Operations Activity: We are currently operating our field activities below a minimally acceptable level. Staff shortages will reduce the effectiveness of monitoring efforts, as certain Monitoring Stations will not be able to maintain 24 hour a day operations. This could delay response to urgent requests for monitoring assistance in life and safety situations. Additionally we would be less responsive in resolving interference problems which can adversely affect other governmental entities as well as licensees and other members of the public.

Mass Media Activity: Delays would occur in handling filings anticipated from the next Low Power Television filing "window." We expect about 30,000 applications. The last bulk filing received in this program was in FY 1984 when the Commission received 25,000 applications in one week. With some innovative measures, we were able to keep the applications moving. However, we did require additional resources which were diverted from other areas. Due to substantially reduced staff, we no longer have the flexibility to divert resources. Additionally, since the change to the ownership rules, the Commission has been inundated with requests for assignment or transfer of TV licenses. Failure to provide adequate legal resources may delay processing of applications in an area where the Commission has been particularly sensitive to the importance of prompt action.

Common Carrier Activity: Positions are needed to keep pace with the increasing volume of paper filed by common carriers, to facilitate the availability of information to the public and to the staff, to find innovative methods of controlling the vast workload through better use of automation, and to insure control and timely processing of applications.

Support: Debt collection procedures are mandated by law. Currently the Commission does not have any debt collection program. The absense of a mechanism to follow-up and collect funds owed to the federal government is costing the government money which could be used to offset the deficit. The number of rules and regulations which must be followed by finance offices has grown significantly in the past few years. Examples of new requirements are: Cash Management Procedures, Financial Automation procedures, Debt Collection Procedures, Prompt Payment and Audit Procedures. In an environment of increasing requirements, the Commission has had to reduce its financial staff by 35% over the last four years.

Finally, but no less important, the Commission requires staff to assist in maintaining the automation improvements already made by the Commission and hopefully to take us further in our automation efforts.

NONPERSONNEL REQUIREMENTS:

Although it might at first appear that the Commission could operate at the $94 million level without meaningful adverse impact, this would not be the situation. Our base budget for FY 1987 is below the $94.4 million. However, this base assumes reduced funding for the one-time costs for certain FY 1986 projects. With our reductions to meet the sequestration amount of Gramm-Rudman-Hollings, these one-time projects were eliminated or reduced and $1.3 million must be retained in the FY 1987 base budget. These one-time efforts generally are projected to further improve staff productivity at the Commission and therefore should not be deferred indefinitely. We would need to review the level of funding in some of our nonpersonnel accounts and adjust them accordingly.

Technical Equipment:
An increase of $332,000 is requested in the FY 1987 budget to replace obsolete and malfunctioning equipment. In a budget scenario of $94,400,000, this amount would be reduced to $252,000. The impact of the $80,000 reduction would require eliminating the replacement of some equipment which is needed to perform critical monitoring function. With the shortage of staff available to carry out these functions, the elimination of these funds could hamper our monitoring activities and our ability to support other government agencies. We would, of course, continue to place the highest priority on safety of life.

Travel (Domestic, International, and Joint Board):
The FY 1987 Budget Estimates requests a $70,000 increase in travel for our Field Operations Bureau. If the Commission must operate with $94 million, all travel accounts, domestic, international and Joint Board, will be reduced by a total of $380,000. This reduction will affect all programs and activities of the Commission. There will be fewer audits of common carriers, fewer field investigations of mass media licensees, fewer on-site investigations of interference problems, and less participation by Commission staff in international conferences and meetings. Since travel is an essential element in the conduct of Commission business, this could have a detrimental effect.

Other:
The remainder of the reductions required to met a $94 million budget will come from deferral, elimination, or reduction in other expense elements in the Commission's budget. Examples include: reduce shipment of household goods, reduce rental of non-passenger vehicles, defer printing of certain forms, eliminate certain FCC publications (non-mandatory), reduce printing in the Federal Register, reduce subscriptions, and defer purchase of office equipment and furniture. While these funds are not as critical as the above items, they all contribute to essential agency operations.

Question: If the Department received the same amounts in FY 1987 that it received in FY 1986 after sequestration, what would be the impact on the activities of each agency?

Answer: As indicated in the testimony provided by Chairman Fowler, the Federal Communications Commission has made a concerted effort to streamline its processes and procedures to "do more with less." Since Chairman Fowler assumed his duties in FY 1981, the FCC has reduced its authorized full-time, permanent positions from 2,004 to 1,835. Due to fund reductions required by the the Gramm-Rudman-Hollings sequestration, we anticipate our staffing level will be significantly below our authorized level by the end of FY 1986. Although the Commission has made substantial productivity improvements, including improved speeds of service in most processing areas, a continuation of this lower staffing level will have an adverse impact on many of our programs and activities. We will continue to put high priority on the authorization of service and safety of life issues. However, a continuation of reduced staffing levels and further deferrals of automation improvements will certainly impair our ability to keep pace with increased application filings. Other important activities would have to be further curtailed.

The Budget Estimates for FY 1987 currently under consideration represents only essential requirements. It includes only a small portion of the positions and dollars initially requested by the individual Commission activities. The Commission is sensitive to its responsibility to the taxpayer, to provide only necessary services, efficiently, and at the least possible cost.

The budget submitted continues to focus on the use of automation as a tool to maintain efficiencies without substantial personnel increases. However, without the necessary tools such as automation, technical equipment, and clerical support, the overall effectiveness of the Commission cannot be maintained.

It should be noted that staffing levels below those in the Budget Estimates for FY 1987 could be maintained on a continuing basis if certain pending deregulation legislation is enacted.

The following analysis documents as accurately as feasible the consequences of a "straight-line" budget in FY 1987 ($90,341,000):

PERSONNEL:

A budget of $90,341,000 will fund 1,749 full-time, permanent positions. This is a reduction of 86 positions from our actual FY 1986 budget and 106 below our FY 1987 request. We have reduced the full-time permanent positions in FY 1986 as a result of a total hiring freeze to accommodate the required reduction of $4 million due to the Gramm-Rudman-Hollings sequestration. We had anticipated that this reduction would be of a temporary nature through the end of FY 1986, and that we would be able to hire up to our authorized strength soon after the beginning of the new fiscal year. The reduced level will create difficulties for the Commission. In a time of hiring freeze, the area of highest turnover is clerical. Presently our clerical staff is down 50%. Absence of support staff significantly reduces the effectiveness of professional staff due to delays in the preparation of correspondence and other documents. It also creates morale and productivity problems for overworked clerical staff and frustrated professionals.

The Commission needs to replace staff in order to maintain productivity and accommodate projected workload increases. The small increases requested in the FY 1987 budget basically provide only for the continuity of the current level of effort. We are not proposing improvements in our speeds of service or authorization efforts. The twenty positions requested are needed to maintain a minimally acceptable level of effort in our field enforcement and certain other critical programs.

Ten positions were requested for the Field Operations Bureau. Failure to support the staffing level requested in our FY 1987 budget will reduce the effectiveness of our monitoring efforts, since certain Monitoring Stations will not be able to maintain 24 hour a day operations. This could delay response to urgent requests for monitoring assistance in life and safety situations. Additionally we would be less responsive in resolving interference problems which can adversely affect other governmental entities as well as licensees and other members of the public. We are currently operating our field activities below a minimally acceptable level.

Additional positions were requested for the Mass Media Bureau (5), the Common Carrier Bureau (3), for establishing a Debt Collection Program (1), and for maintenance of ADP operations in support of all Commission programs (1). The five positions for the Mass Media Activity are needed to handle filings anticipated from the next Low Power Television filing "window." We expect about 30,000 applications. The last bulk filing received in this program was in FY 1984 when the Commission received 25,000 applications in one week. With some innovative measures, we were able to keep the applications moving. However, we did require additional resources which were diverted from other areas. Due to substantially reduced staff, we no longer have the flexibility to divert resources. In addition to the three file clerks and one Public Reference Room clerk required for LPTV, we are also requesting one attorney for processing television assignment and transfer applications. Since the change to the ownership rules, the Commission has been inundated with requests for assignment or transfer of TV licenses. Failure to provide additional legal resources may delay processing of applications in an area where the Commission has been particularly sensitive to the importance of prompt action.

Three new staff members are requested for the Common Carrier Bureau to keep pace with the increasing volume of paper filed by common carriers. Two clerical positions and one ADP specialist are needed to facilitate the availability of information to the public and to the staff, to find innovative methods of controlling the vast workload through better use of automation, and to insure control and timely processing of applications.

Debt collection procedures are mandated by law. Currently the Commission does not have any debt collection program. The absense of a mechanism to follow-up and collect funds owed to the federal government is costing the government money which could be used to offset the deficit. The number of rules and regulations which must be followed by finance offices has grown significantly in the past few years. Examples of new requirements are: Cash Management Procedures, Financial Automation procedures, Debt Collection Procedures, Prompt Payment and Audit Procedures. In an environment of increasing requirements, the Commission has had to reduce its financial staff by 35% over the last four years while experiencing a 50% turnover in staff.

Finally, but no less important, the Commission is requesting one position to assist in maintaining the automation improvements already made by the Commission and hopefully to take us further in our automation efforts.

In conclusion, the twenty positions requested are for urgent activities of the highest priority. The request was submitted to OMB and to the Congress only after serious consideration of other alternatives. The Commission concluded that these functions and responsibilities cannot be accomplished within existing resources.

The restoration of positions vacated in FY 1986 and not filled would cost approximately $2 million. The 20 new positions requested would cost approximately $395,000. Thus, personnel costs (salary and benefits) represent approximately 40% of the reduction required if only $90,341,000 is appropriated in FY 1987.

NONPERSONNEL REQUIREMENTS:

Uniform System of Accounts (USOA) Computer System:
In FY 1987, $948,000 is identified for the development of a financial accounting system which would meet the financial and primary fiduciary reporting needs of the telephone industry. It would provide the body of financial data to which appropriate methodologies can be applied to develop the requisite information to satisfy FCC regulatory needs. By coordinating the USOA proceeding with other proceedings, principally those involving cost allocation procedures and the jurisdictional allocation process, the revised system will continue to serve the Commission's commitment to cost of service ratemaking.

The development of this system is important to the Commission, to the industry and to the public. Absent this type of automated effort, the Commission will be unable to insure compliance with its rules and regulations. The extent of the effort required to do this manually makes it virtually impossible and certainly not a cost effective way to obtain the necessary information.

Records Image Processing System (RIPS): The Commission's paper files and records occupy a significant portion of office space. In the Dockets Branch and the public reference rooms backlogs have increased, incomplete files are prevalent, and misfilings have become routine. A Records Image Processing System would electronically capture, store, retrieve and display images of paper documents utilizing optical disk storage and high-speed input and output devices. This system will reduce labor costs, minimize the use of prime office space for document storage, improve file integrity by providing access to files other than original documents, and eliminate costs associated with correcting misfiled documents and with reconstruction of lost materials. Workstations will be available for staff and the public to perform document searches and retrievals, substantially reducing time required for these functions, and hard copies will be available via laser printers.

Most of the required equipment will be acquired on a lease-to-purchase basis in order to keep initial costs reasonable. The first year cost will be $175,000. Savings in personnel costs, space, and filing supplies during the first five years of operation are estimated to total over $730,000. Without this system, the problems cited above will worsen as additional documents are received for filing and storage and the Commission continues to operate under an inefficient, inaccurate, and costly manual system.

Decentralized Computer Process - Mass Media Bureau: For several years the Commission has been considering the concept of decentralized computer processing. The term "migration" has been used to describe the movement of systems from a congested Honeywell mainframe computer to a smaller, more efficient minicomputer concept. Included in the migration concept is the assignment of computer programmers to the user. The Mass Media Bureau was selected as the pilot migration organization. Funds were in the Commission's originial FY 1986 budget to purchase the necessary equipment to conduct this pilot project. Due to the Gramm-Rudman sequestration, these funds were eliminated to protect compensation and benefit funds. By reassessing the method of configuring the minicomputers the Commission has been able to reduce the cost of this migration to $318,000. Funds for this improvement are included in the FY 1987 budget but would have to be eliminated in a $90 million budget scenario. The effect of the deferral of the Mass Media migration will result in continued congestion on the Honeywell, less effective automation efforts for Mass Media, and delays in broader implementation efforts.

Debt Collection Act Implementation:
As indicated above in the Personnel portion of the justification for our FY 1987 budget level, the absense of the necessary automation tools will delay the Commission's compliance with this Act. Staff and equipment are necessary to implement this requirement. The system will be part of the agency's cash management system which will provide interface with general and other related financial systems. The purchase of the hardware and software necessary will cost $50,000.

Automated Land Mobile Applications Processing System (ALMAPS):
The Commission has successfully improved the processing speeds for several Private Radio Bureau services through the development of the ALMAPS system. $63,000 was included in the FY 1987 budget to complete this project and to cover the remaining services licensed in the private radio area. The lack of funding to complete this system will mean certain services must continue to be handled manually, thus delaying the processing in those services. The resources saved through the automation effort have allowed the Private Radio Bureau to process increasing numbers of applications with a reduced staff.

AM/FM Propogation Models:
$100,000 was proposed in the FY 1987 budget to provide contractual services to further evaluate and develop two computer models needed to improve the speed and accuracy with which applications and waiver requests are processed and for evaluation of proposals for new services, rule changes and technical changes. Sophisticated analytical concepts and techniques are available that, when used with modern computer databases, can greatly improve both the applications processing function and at the same time increase the percentage of unique-case petitions that can be granted. The elimination of the funding for this sophisticated modeling will hinder the "engineering-in" of more radio facilities throughout the country.

AM Interference Studies:
The Commission proposed $48,000 in the FY 1987 budget to provide ADP color graphics equipment to automate the AM interference study program for the International Frequency Review Board (IFRB). The long range benefit of the automation effort is to provide a better, more defensible position for the U. S. in its international frequency coordination efforts. Without these tools, the Commission will continue its efforts to insure the U. S. position at international conferences.

ADP Systems Development:
As indicated in previous years, the Commission has given considerable emphasis to utilizing automation as a method of avoiding increased staff or delayed authorization of services. $250,000 was included in the FY 1987 budget request to provide contractual support (five workyears of effort) to meet Bureau/Office requirements for development of new and/or to modify existing ADP systems. Some of the proposed development efforts are:

microwave and aviation licensing systems, international frequency coordination, and the Common Carrier land mobile application processing systems. The loss of this funding will require these systems to continue in a manual mode or to use less than sophisticated systems. Some current systems were developed as much as twenty years ago before the advancement of computer technology.

Hyperbus Completion:
One of the items included in the Commission's budget for FY 1987 that would be eliminated is $125,000 to complete the installation of a hyberbus communications link between various computers. The advantage of the hyperbus link is that one terminal can interface with multiple computers. Without the hyperbus, terminals are single computer oriented and thus more terminals are needed. The elimination of this funding will delay other automation improvements due to the lack of the necessary interface links.

Technical Equipment:
An increase of $332,000 is requested in the FY 1987 budget to replace obsolete and malfunctioning equipment. In a budget scenario of $90,341,000, this amount plus another $214,000 in the base funding would have to be eliminated. Since the Commission relies heavily on state-of-the-art communications equipment to perform its critical monitoring function, and with the shortage of staff available to carry out these functions, the elimination of these funds could seriously hamper our monitoring activities and our ability to support other government agencies. Safety of life and interference issues will have slower response times. We would, of course, continue to place the highest priority on safety of life.

Field Automation Network:
$280,000 was included in the FY 1987 budget to complete the field automation network. The network has proved to be a very valuable tool for the field monitoring stations, regional and district offices. The network was begun in FY 1984 to provide field offices with word processing capability and to facilitate efficient data and information exchange. Specific features of the network include automatic printing of violation notices; local storage of the data in the field and direct input of the data into the violations database at Headquarters; unattended message switching; electronic mail and various administrative recordkeeping functions. With the loss of a high percentage of the clerical staff in our small field offices, the completion of this network is critical to the continued efforts of our field staff.

Replacement of Field Vehicles:
The field offices rely heavily on specialized monitoring vehicles to assist in the problem-solving functions of the Commission. A replacement plan has been developed which allows the replacement of vehicles before the repair costs become excessive. In FY 1986 the Commission deferred the purchase of eight vehicles as a part of the sequestration requirement. Further reductions in the proposed FY 1987 budget would require the deferral of

another five vehicles ($60,000). This action could increase repair costs significantly as well as require greater expenditure of staff resources to deal with vehicle malfunctions/unavailability.

Replacement of Microcomputers:
The Commission has established a replacement schedule for its microcomputers to insure continuous, efficient use of automation. Several of the older computers are scheduled for replacement in FY 1987. Funds for three of these replacements will have to be deleted and the replacements deferred if the Commission is authorized $90 million in FY 1987. We will, of course, continue to use the existing microcomputers but we anticipate significant increases to the cost of maintaining these computers. Also, since these computers are no longer manufactured, parts are difficult to locate, causing some delay in repairs. This becomes critical because of the importance automation has come to play in the Commission. The $125,000 set aside to purchase replacement computers may be offset by increases in other accounts.

LPTV Applications Processing (Window):
In anticipation of opening a nation-wide "window", the Commission is proposing to use contract services to perform the data entry from the estimated 30,000 applications expected to be filed. For a one-time cost of $21,000 the data can be entered quickly, without delaying other critical functions associated with the processing of these applications. Without these funds, the information capture will have to be performed by existing staff. This function must be done before the engineering and legal staff can begin their processing. Delays in data entry therefore delay the conclusion of the analysis and thus the grant of authority to construct facilities.

Travel (Domestic, International, and Joint Board):
The FY 1987 Budget Estimates requests a $70,000 increase in travel for our Field Operations Bureau. If the Commission must operate with $90 million, all travel accounts, domestic, international and Joint Board, will be reduced by a total of $380,000. This reduction will affect all programs and activities of the Commission. There will be fewer audits of common carriers, fewer field investigations of mass media licensees, fewer on-site investigations of interference problems, and less participation by Commission staff in international conferences and meetings. Since travel is an essential element in the conduct of Commission business, this could have a detrimental effect.

Other:
The remainder of the reductions required to met a $90 million budget will come from deferral, elimination, or reduction in other expense elements in the Commission's budget. Examples include: reduce shipment of household goods, reduce rental of non-passenger vehicles, defer printing of certain forms, eliminate certain FCC publications (non-mandatory), reduce printing in the Federal Register, reduce subscriptions, and defer purchase of office equipment and furniture. While these funds are not as critical as the above items, they all contribute to essential agency operations.

Question: What would be the impact on each of the agencies in the Department if each were to receive a percentage reduction of 8.4% below the FY 1986 amount, adjusted for sequestration?

Answer: A budget for the FCC that is 8.4% below the FY 1986 adjusted budget would be $82,752,000. At this funding level, the Commission would be required to significantly reduce all activities and programs, would possibly be required to eliminate some programs, and would reduce service to the public. Additionally, a reduction of this magnitude could not be accomplished without having some impact on the highest priority Commission programs, authorization of service and safety of life.

Even if the Commission began FY 1987 at a projected level of 1,728 full-time, permanent employees on-board, we could not accomplish an $7.6 million reduction without RIFs, possibly furloughs, and other very drastic measures.

Although this is not an indepth analysis of the actual programmatic impact, it does outline some of the overall consequences of an $82.8 million appropriation.

PERSONNEL:

The FCC budget request is made up of approximately 75% personnel costs (compensation and benefits) and approximately 25% for nonpersonnel requirements. Since the previous scenarios (appropriation levels of $90.3 million and $94.4 million) have already reduced the nonpersonnel accounts to the bare minimum, the majority of any further reductions must come from the personnel accounts.

We estimate that a minimum of 200 workyears would have to be eliminated. The alternatives available to the Commission are limited to RIFs, furloughs and continuation of a hiring freeze. In assessing the impact of the various options, the Commission was required to make certain basic assumptions which include the following:

- o The Commission must remain a functional entity and none of its statutory requirements will be changed.
- o The exact outcome of our appropriations will not be known before October 1, 1986.
- o The decisions made will continue into subsequent fiscal years.

Continue Hiring Freeze:

The first step in our analysis was consideration of savings to be accrued by continuing the current hiring freeze. Continuing a total hiring freeze would produce only a portion of the workyear savings required. Also, given the seriousness of shortages in both clerical support and other critical programs, such as watch-standing technicians, it is not advisable to continue a total freeze. Assuming that the attrition rate remains constant at the current estimate of 5 per pay period, that one of every three employees who leaves must be replaced, and that there is an eight week hiring lapse, we would generate approximately 48 workyears of savings. The maximum cost savings this could generate would be $1,842,000.

Furlough All Employees:

The second step in our analysis was consideration of furlough days for all employees. Assuming that they are spread throughout the year, approximately 30 furlough days would be required to fully offset the reduction.

RIFs:

As a final step in our analysis, we considered the option of a RIF. Assuming that the FCC received an appropriation of $82 million on November 1, 1986, the Commission would immediately issue a general RIF notice. Further, assuming that the Commission were able to issue specific RIF notices by December 1, 1986, the cost savings from employees who are "riffed" would be for a maximum of ten months. Accounting for terminal leave, severance pay, relocation expenses would probably amount to $14,500 per employee. Assuming the average salary (including benefits) of a Commission employee is $38,500, the maximum dollar savings per employee which could accrue would be $32,000 (10 months) minus the average estimate for terminal leave, etc. of $14,500 which equals a savings of only $17,500. Therefore, a total of 434 would be "riffed" to accomplish the necessary reductions.

Mix of All of the Above:

Next, consideration was given to the impact of a mix of the alternatives reviewed above. Combining a hiring freeze and furloughs would reduce the number of furlough days required to offset the reduction from approximately 30 days to approximately 23 days of furlough for all employees.

In order to ensure the continuity of operation of the Commission, the alternative of furloughing all employees for either 23 or 30 days does not seem viable. Therefore, consideration was given to a combination of all three alternatives: continue hiring freeze, some RIFs and some number of furlough days for all employees. If the hiring freeze were continued as described above and if all employees were furlougheded for 10 days, then approximately 188 employees would have to be "riffed."

Conclusions and Impact:

None of the alternatives listed above is desirable. However, in determining the least objectionable alternative, the possibility of a mix of alternatives appears to have the least negative impact. In this alternative, specific programs and activities can be targeted for RIFs and can be identified for high priority personnel replacements. The furlough impact, however, must be across all programs and activities. Although we are not able to specifically describe the potential impacts, we have identified a programmatic plan of how the reductions might be distributed.

Policy and Rulemaking:
All policy and rulemaking programs would be reduced by a total of 20%. This would require deferral of lower priority rulemaking proceedings, delay ongoing review of current rules, etc. Approximate savings: 35 positions, $612,500 (1st year), $1,343,000 (subsequent years).

Enforcement:
All enforcement programs would be reduced by 15%. This would create more complaints and fewer resolutions. This would have a more serious impact on the field operations activity. Approximate savings: 30 positions, $525,000 (1st year), $1,151,000 (subsequent years).

International:
All international programs would be reduce by 10%. The Commission would have to reduce its involvement in preparation for and attendance at international meetings and conferences. Approximate savings: 3 positions, $52,500 (1st year), $115,000 (subsequent years).

Public Service:
All public service programs would be reduced by 15%. This would generate complaints, reduce the quality of service to resolve problems, etc. Approximate savings: 22 positions, $385,000 (1st year), $844,000 (subsequent years).

Authorization of Service:
Reduce all authorization of service programs by 5%. This will reduce the speed of processing applications, will create growing backlogs, will generate substantial public outcries, etc. Approximate savings: 29 positions, $507,500 (1st year), $1,113,000 (subsequent years).

Support:
Reduce all support functions by 10%. This will reduce the internal effectiveness of the Commission as follows: fewer staff to assist users of computers; slower processing of procurements; slower processing of invoices, bills, etc.; delays in processing dockets, agenda items, etc., delays in conducting investigations; etc. Approximate savings: 21 positions, $367,500 (1st year), $806,000 (subsequent years).

Adjudicatory:
Reduce by 10%. This will increase the time required for hearings, for review of decisions, and for processing all types of claims. Approximate savings: 5 positions, $87,500 (1st year), $192,000 (subsequent years).

All Other Programs:
Determined on a case by case basis. All will be reduced.

NONPERSONNEL:

All nonpersonnel accounts which are associated with personnel, for example, telephone lines, space, supplies, equipment repairs, etc. will be reduced on a pro rata basis according to the number of employees reduced. $2,537,500 (1st year), $5,564,000 (subsequent years).

Question: What action is the Department taking to consider these possibilities -- have you formed a task force or done any contingency planning?

Answer: In early FY 1986 the Commission formed a task force, under the direction of the Managing Director, to assess the impact of possible reductions required if the proposed deficit reduction legislation were adopted. This group did a thorough analysis of Commission activities and programs, analyzed the relative priorities of this activities and programs, and prepared recommendations of reductions in lieu of "across-the-board", pro rata reductions. This analysis formed the basis of the Commission's first round of reductions under the Gramm-Rudman-Hollings sequestration.

This same analysis will be used as a basis for any future reductions required as a result of the Balanced Budget and Emergency Deficit Reduction Act of 1985.

Mr. **Fowler**. We will be glad to work with you. I know that a lot of people have been getting mail on that subject.

TELEPHONE DEREGULATION

Mr. **Rogers**. Let me switch gears back to the telephone business, especially as it relates telephone deregulation. You made a speech on January 29th, called Back to the Future. And generally you gave telephone deregulation a very glowing report card. But I am hearing that some intrastate rates are going up rather seriously' as opposed to interstate. And that that is having a particular impact obviously in the rural areas.

When do you expect the benefits of competition under deregulation to reach to those rural areas?

Mr. **Fowler**. Well, with regard to intrastate rates, the numbers I have from either the Census Bureau or from the Consumer Price Index put out by the Bureau of Labor Statistics, indicate a very small rise. I am talking about an average, a national average in intrastate rates over the past couple of years. It has not been significant at all.

Sometimes Mr. Rogers, people have perceptions of what their bills are, which we know are incorrect. We know, for example, that interstate, that is out of state, long distance call costs have been reduced almost 12 percent over the last two year period. This June, as I said in my prepared testimony, we will see at least another five percent cut. That is a 17 percent cut in out of state long distance call costs. Of course, rural people benefit greatly from that, as well as everybody else.

We do not think that there have been, according to the numbers that we have, and I can supply this to you, very significant increases, on average, in intrastate rates.

Now, when I am dealing with averages, I would be happy to look and see what is happening in Kentucky, as well. But you are quite right; they do depend, more than most, on the use of long distance, intrastate and interstate.

Mr. **Rogers**. I am told there is not a single independent telephone company in Kentucky, offering competitive long distance service at this moment.

Mr. **Fowler**. That may well be true. There are a number of states where the state has not authorized competition to, for example, AT&T, in providing intrastate service.

Mr. **Rogers**. Intrastate rates in Kentucky are so high that the State, the State Government, when calling to so and so town in Kentucky, is using a method where they are calling long distance outside the State, to get the interstete rate. It is a little bit bizarre.

Mr. **Fowler**. That may also be because, and I would have to look at the Kentucky situation, of the way things are priced. They may be loading their intrastate rates to keep local service costs down artificially. I do not know if that is the case, but it is one possibility.

Mr. **Rogers**. If you would inquire, I would appreciate it.

NEWS

FEDERAL COMMUNICATIONS COMMISSION
1919 M STREET, N.W.
WASHINGTON, D.C. 20554

News media information 202 / 254-7674
Recorded listing of releases and texts
202 / 632-0002

This is an unofficial announcement of Commission action. Release of the full text of a Commission order constitutes official action. See MCI v. FCC. 515 F 2d 385 (D.C. Circ. 1975)

FCC RELEASES TELEPHONE SUBSCRIBERSHIP DATA

The FCC has released the latest available data on telephone subscribership levels in the United States.

Census Bureau figures for November 1985 indicate that 91.9% of all households in the U.S. have a telephone. This estimate of telephone subscribership is the highest reported by the Census Bureau since it first began to collect this data as part of the Current Population Survey in November 1983. This level of subscribership represents a slight increase from the 91.8% estimate for July 1985, and a half percent increase from the two previous November surveys.

The data shows that, in the face of substantial changes which have occurred in the telephone industry in the past two years, including the breakup of AT&T and changes in the structure of telephone rates, telephone subcribership has been relatively stable, with possibly a slight upward trend. Thus, the dire predictions by some people that there would be a substantial decline in telephone subscribership have not materialized.

- FCC -

For further information, contact Alexander Belinfante at (202) 632-0745.

LOCAL SERVICE RATES DATA

BORROWER'S NAME
& ADDRESS

BORROWER DESIGNATION
DATE

EXCHANGE AREA NAME(S)										
1. BUSINESS										
A. 1-PARTY										
B. 2-PARTY										
C. 4-PARTY										
D. __-PARTY										
E. PAY STATION										
F. PBX TRUNK										
G. KEY LINE										
H. BASIC INSTRUMENT										
I. CALL FORWARDING										
J. CALL WAITING										
K. SPEED CALLING										
L. 3-WAY CALLING										
M. INTERSTATE ACCESS CHARGE										
N. INTRASTATE ACCESS CHARGE										
O. MILEAGE CHARGE, FIRST MILE										
P. ZONE CHARGE, FIRST ZONE										
Q. LMS - PER MESSAGE										
R. LMS - PER MINUTE										
2. RESIDENCE										
A. 1-PARTY										
B. 2-PARTY										
C. 4-PARTY										
D. __-PARTY										
E. BASIC INSTRUMENT										
F. CALL FORWARDING										
G. CALL WAITING										
H. SPEED CALLING										
I. 3-WAY CALLING										
J. INTERSTATE ACCESS CHARGE										
K. INTRASTATE ACCESS CHARGE										
L. MILEAGE CHARGE, FIRST MILE										
M. ZONE CHARGE, FIRST MILE										
N. LMS - PER MESSAGE										
O. LMS - PER MINUTE										
P. LIFELINE SERVICE										
3. MOBILE TELECOMMUNICATIONS										
A. IMTS PER LINE										
B. CELLULAR PER LINE										
C. TONE PAGER										
D. VOICE PAGER										
E. MESSAGE PAGER										
4. INSTALLATION CHARGES										
A. SERVICE ORDER PROCESSING										
B. PREMISES VISIT										
C. LINE CONNECTION										
D. WIRING										
E. STATION CONNECTION										
5. PENDING RATE INCREASE (Y/N										
6. NO. OF ACCESS LINES IN CALLING AREA										

TELEPHONE SUBSCRIBERSHIP IN THE U.S.

INDUSTRY ANALYSIS DIVISION
COMMON CARRIER BUREAU
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

FEBRUARY 5, 1986

Prior to the 1980s, precise measurements of telephone subscribership received little attention. The most widely used measure of telephone availability is the percentage of households with telephone service --sometimes called a measure of telephone "penetration". This statistic, however, can be subject to large measurement errors. Traditionally, telephone penetration was measured by dividing the number of residential telephone lines by the number of households. With some households adding second telephone lines and with an increasing number of second homes, measures of penetration based on the number of residential lines became subject to a large margin of error.

By 1980, the traditional penetration measure (residential lines divided by the number of households) reached 96% while the number of households reporting telephones in the 1980 census was slightly less than 93%. Recognizing the need for precise periodic measurements of subscribership, the Federal Communications Commission requested that the Bureau of the Census include questions on telephones as part of its Current Population Survey, which monitors demographic trends between the decennial censuses. Use of the Current Population Survey has several advantages: it is conducted every month by an independent and expert agency, the sample is very large and the questions are consistent. Thus, changes in the results can be compared over time with a great deal of confidence.

Unfortunately, the results of the Current Population Survey cannot be directly compared with the penetration figures contained in the 1970 and 1980 decennial census. This is because there were differences in the sampling methodology and the way the questions were asked.

The specific questions asked in the Current Population Survey are: "Is there a telephone in this house/apartment?" and, if the answer to the first question is "no", "Is there a telephone elsewhere on which people in this household can be called?" Although the survey is conducted every month, not all questions are asked every month. The telephone questions are asked once every four months, and aggregated summaries of the responses are reported to the FCC, based on the surveys conducted in March, July, and November of each year. These reports are generally released about two months after the survey is conducted.

Table 1 summarizes the Current Population Survey responses for the U.S. and for each state for the period from November 1983 through November 1985. Because the Current Population Survey began collecting this data only in 1983, comparable values are not available prior to November 1983. For each of the quarterly surveys, the column headed "Unit" indicates the percentage of households for which the response to the first question was "yes". The column headed "Avail." indicates the percentage of households which responded "yes" to either the first or the second question. The 7 month average is the average of the 7 surveys shown in the previous columns.

The Census Bureau data is based on a nationwide sample of about 58,000 households. Because a sample is used, the estimates are subject to sampling error. For the nationwide figures, the critical value for determining a significant difference in telephone penetration over time is 0.5% (at the 95% confidence level). For individual states, the amount of sampling variability is much greater. The critical values for determining significant changes range from 1.5% for California to 5.9% for South Carolina. These critical values are shown in Table 2 and are relevant in that changes of less than or equal to the values shown are likely to be due to sampling error and thus can not be regarded as demonstrating that there has been a change in telephone penetration.

Additional data is available showing the breakdown of responses by other characteristics, such as race, household size, labor force status, income, and age. These additional figures are nationwide only; state by state data is not available for these characteristics. Estimates of sampling variability are also not available for these additional characteristics.

The Federal Communications Commission collects this information as part of its program of monitoring subscribership levels for telephone service in the U.S. FCC files containing this information are maintained by Alexander Belinfante of the Industry Analysis Division of the Common Carrier Bureau. He can be contacted at (202) 632-0745.

TABLE 1

PERCENTAGE OF HOUSEHOLDS WITH A TELEPHONE BY NATIONAL TOTAL AND STATES

	1983		1984						1985						7 MONTH	
	November		March		July		November		March		July		November		Average	
	Unit	Avail.	Unit	Avail.	Unit	Avail.	Unit	Avail.	Unit	Avail.	Unit	Avail.	Unit	Avail.	Unit	Avail.
UNITED STATES	91.4	93.7	91.8	93.6	91.6	93.8	91.4	93.6	91.8	93.7	91.8	93.9	91.9	94.0	91.7	93.8
ALABAMA	87.9	90.2	88.9	90.4	90.3	91.6	86.1	89.3	88.4	90.3	89.1	90.9	89.9	91.8	88.6	90.6
ALASKA	83.8	88.8	85.8	88.7	87.6	90.0	86.1	88.4	89.4	91.7	86.4	88.0	85.7	88.7	86.4	89.2
ARIZONA	88.0	90.7	89.6	90.6	84.2	86.8	87.0	90.7	87.0	89.4	85.0	89.8	86.9	89.8	87.4	89.7
ARKANSAS	88.2	91.4	87.1	90.1	87.8	92.6	84.8	89.2	85.7	89.8	86.6	90.8	85.5	89.2	86.5	90.4
CALIFORNIA	91.7	93.5	92.8	93.8	92.2	93.8	92.4	93.8	93.0	94.1	92.7	94.1	93.0	94.1	92.5	93.9
COLORADO	94.4	96.5	94.7	96.4	91.9	94.4	93.2	95.2	96.2	97.7	93.7	95.9	93.1	95.0	93.9	95.9
CONNECTICUT	95.5	98.4	94.5	96.2	96.0	97.6	96.0	97.2	94.9	97.2	96.5	97.6	97.1	98.0	95.8	97.5
DELAWARE	95.0	96.6	95.4	96.3	93.7	95.1	93.7	95.8	96.6	97.4	94.4	96.1	93.4	95.2	94.6	96.1
DIST OF COLUMBIA	94.7	95.6	96.1	97.5	93.5	95.4	95.1	96.0	91.6	93.5	93.6	94.9	95.6	97.4	94.3	95.7
FLORIDA	85.5	89.9	89.9	92.4	89.6	91.4	86.6	90.1	88.8	90.9	89.5	91.6	90.3	92.7	88.6	91.3
GEORGIA	88.9	92.1	85.8	88.2	86.8	90.5	86.0	88.7	89.0	91.1	88.4	90.2	85.4	88.0	87.2	89.8
HAWAII	94.6	96.4	93.6	94.2	95.1	96.3	91.9	94.3	93.3	95.1	92.7	95.8	93.1	94.2	93.5	95.2
IDAHO	89.5	92.2	90.4	91.8	91.0	91.8	90.8	91.4	91.7	93.3	91.1	92.7	92.6	93.5	91.0	92.4
ILLINOIS	95.0	95.9	95.7	96.8	93.6	95.0	93.2	95.5	94.4	95.6	93.4	95.3	93.3	95.2	94.1	95.6
INDIANA	90.3	93.5	91.8	93.2	91.2	93.3	91.7	94.4	91.7	94.8	92.8	95.0	92.4	94.3	91.7	94.1
IOWA	95.4	97.2	95.7	96.2	97.5	98.7	95.4	97.2	96.0	96.9	94.6	96.4	94.7	95.9	95.6	96.9
KANSAS	94.9	96.7	94.4	95.4	95.1	96.4	93.5	95.6	94.8	97.1	93.9	95.9	94.4	96.2	94.4	96.2
KENTUCKY	86.9	90.9	87.1	90.6	88.3	91.2	89.1	91.1	89.0	92.1	86.8	90.3	86.4	90.8	87.7	91.0
LOUISIANA	88.9	93.3	89.8	92.2	88.7	93.1	90.5	92.7	90.5	93.5	90.3	94.0	90.2	93.4	89.9	93.2
MAINE	90.7	93.1	94.4	95.7	92.1	94.9	93.9	95.2	94.2	95.3	93.8	95.2	94.2	96.2	93.3	95.1
MARYLAND	96.3	96.7	96.1	96.9	94.9	95.7	96.1	96.8	95.2	96.2	96.2	98.1	95.3	95.9	95.7	96.6
MASSACHUSETTS	94.3	95.9	95.7	96.5	96.5	97.4	95.4	96.9	95.6	96.7	95.0	95.9	94.8	96.5	95.3	96.5
MICHIGAN	93.8	94.9	93.1	95.0	93.0	94.5	92.4	94.0	92.6	94.1	93.5	94.7	92.6	93.7	93.0	94.4
MINNESOTA	96.4	97.5	95.8	97.4	96.6	97.2	95.0	96.6	97.1	98.2	96.8	97.4	95.3	96.7	96.1	97.3
MISSISSIPPI	82.4	89.1	81.8	86.1	83.1	89.8	82.2	86.6	81.6	87.0	80.1	88.7	81.0	87.0	81.7	87.8
MISSOURI	92.1	94.1	92.1	94.0	91.3	93.2	91.0	93.9	92.6	94.2	92.9	95.2	92.0	95.0	92.0	94.2
MONTANA	92.8	94.5	90.2	93.9	91.6	94.5	91.1	93.8	92.2	95.2	90.0	91.4	92.0	95.1	91.4	94.0
NEBRASKA	94.0	95.3	96.4	97.2	94.8	95.8	95.9	97.3	96.4	96.9	95.0	96.3	94.6	96.7	95.3	96.5
NEVADA	89.4	91.9	93.0	95.6	88.2	89.8	89.8	93.0	91.3	93.6	90.3	92.8	94.0	95.1	90.9	93.1
NEW HAMPSHIRE	95.0	96.9	94.7	96.3	95.9	96.4	92.4	94.7	93.4	94.4	93.0	94.2	93.4	95.4	94.0	95.5
NEW JERSEY	94.1	95.1	93.5	95.0	96.0	96.9	94.8	96.3	95.1	96.5	95.4	96.5	94.1	95.5	94.7	96.0
NEW MEXICO	85.3	90.9	81.0	85.8	81.2	86.3	84.0	88.8	85.0	88.0	85.1	88.8	82.1	87.8	83.4	88.1
NEW YORK	90.8	92.2	91.2	92.5	92.3	94.5	91.8	93.6	92.0	93.1	91.2	93.1	93.0	94.5	91.8	93.4
NORTH CAROLINA	89.3	92.9	88.5	92.2	87.9	91.4	88.5	92.2	89.8	92.2	89.2	92.7	89.2	92.2	88.9	92.3
NORTH DAKOTA	95.1	97.3	94.1	96.3	95.2	97.7	94.6	96.3	95.0	96.1	95.1	96.7	95.7	97.4	95.0	96.8
OHIO	92.2	93.9	93.2	94.9	93.4	95.1	90.8	93.3	91.7	94.7	93.3	95.1	91.7	93.8	92.3	94.4
OKLAHOMA	91.5	93.7	91.1	92.5	89.4	92.3	90.3	92.6	90.3	92.7	87.0	89.6	89.2	92.6	89.8	92.3
OREGON	91.2	93.5	91.1	92.6	92.2	93.5	88.5	90.9	89.2	91.0	91.0	93.2	90.6	92.8	90.6	92.4
PENNSYLVANIA	95.1	97.1	94.4	96.0	95.1	96.4	95.1	97.2	94.2	95.5	95.8	96.8	95.8	97.5	95.1	96.6
RHODE ISLAND	93.3	94.6	94.2	95.1	92.7	93.9	93.9	95.0	93.4	94.4	95.1	96.4	93.6	94.5	93.8	94.8
SOUTH CAROLINA	81.8	84.9	84.5	87.9	83.6	88.1	82.9	87.1	87.2	90.6	85.6	90.5	87.6	90.4	84.7	88.5
SOUTH DAKOTA	92.7	95.0	92.8	94.3	92.8	95.2	94.0	95.2	92.4	94.5	93.1	94.2	92.2	94.9	92.9	94.7
TENNESSEE	87.6	92.6	87.0	90.3	88.3	92.0	90.1	93.8	87.7	90.0	88.3	91.8	91.9	95.9	88.7	92.3
TEXAS	89.0	92.6	88.2	91.7	87.6	91.0	89.4	92.3	87.8	91.5	87.7	91.6	88.9	91.8	88.4	91.8
UTAH	90.3	92.2	92.2	94.1	93.2	94.6	92.2	93.9	95.3	95.7	93.3	95.1	93.2	94.5	92.8	94.3
VERMONT	92.7	94.3	91.2	93.4	93.1	94.6	92.5	94.6	90.6	91.8	93.0	94.4	95.1	96.2	92.6	94.1
VIRGINIA	93.1	94.7	93.2	95.1	93.0	95.6	92.9	94.6	92.8	94.5	90.4	92.3	92.0	94.5	92.5	94.5
WASHINGTON	92.5	93.7	92.7	94.3	93.6	95.2	92.7	93.6	92.7	94.4	96.1	97.5	95.3	96.6	93.7	95.0
WEST VIRGINIA	88.1	91.1	87.2	93.5	86.5	90.0	89.4	92.1	88.1	91.4	88.7	92.8	86.1	90.8	87.7	91.6
WISCONSIN	94.8	96.1	95.9	96.3	93.5	96.0	96.3	97.4	93.8	95.7	94.4	95.3	94.1	95.0	94.7	96.0
WYOMING	89.7	93.3	89.2	92.3	88.4	91.2	92.1	95.0	91.7	94.2	92.7	93.8	95.7	96.7	91.3	93.8

TABLE 2

Critical Values for Determining Significant Differences over Time

State	Critical Value
Total US	0.5%
Alabama	3.6
Alaska	5.2
Arizona	4.4
Arkansas	5.8
California	1.5
Colorado	3.3
Connecticut	2.8
Delaware	3.1
Dist. of Columbia	3.9
Florida	2.8
Georgia	4.9
Hawaii	2.7
Idaho	4.1
Illinois	2.1
Indiana	3.3
Iowa	3.0
Kansas	2.5
Kentucky	5.3
Louisiana	4.3
Maine	3.7
Maryland	3.2
Massachusetts	2.5
Michigan	2.6
Minnesota	2.6
Mississippi	5.0
Missouri	3.5
Montana	5.3
Nebraska	3.3
Nevada	4.9
New Hampshire	4.0
New Jersey	2.4
New Mexico	5.7
New York	2.1
North Carolina	3.9
North Dakota	3.8
Ohio	2.2
Oklahoma	3.9
Oregon	3.4
Pennsylvania	1.6
Rhode Island	3.0
South Carolina	5.9
South Dakota	3.7
Tennessee	4.8
Texas	2.6
Utah	4.5
Vermont	5.2
Virginia	4.0
Washington	4.0
West Virginia	4.5
Wisconsin	3.1
Wyoming	4.5

TOTAL WHITE BLACK HISPANIC ORIGIN

PERCENTAGE OF PERSONS WITH A TELEPHONE BY LABOR FORCE STATUS

	TOTAL		WHITE		BLACK		HISPANIC ORIGIN	
	Unit	Avail.	Unit	Avail.	Unit	Avail.	Unit	Avail.
AVERAGE								
TOTAL CNP	92.9	94.5	94.1	95.5	83.4	86.9	83.2	85.8
EMPLOYED	94.1	95.8	95.0	96.4	86.5	90.1	85.5	88.1
UNEMPLOYED	82.1	85.7	84.2	87.3	75.4	80.7	74.3	77.5
NOT IN LABOR FORCE	92.2	93.5	93.8	94.9	81.0	84.1	81.3	83.6
NOV 83								
TOTAL CNP	92.8	94.5	94.1	95.6	82.7	86.6	83.4	86.5
EMPLOYED	94.1	95.9	95.0	96.6	85.7	89.8	86.3	89.6
UNEMPLOYED	82.5	86.5	84.8	88.1	74.6	81.2	76.6	79.9
NOT IN LABOR FORCE	92.1	93.4	93.8	94.9	80.8	83.7	80.4	83.0
MAR 84								
TOTAL CNP	93.0	94.5	94.2	95.5	83.5	86.7	83.3	85.7
EMPLOYED	94.5	95.9	95.3	96.5	87.6	90.8	87.1	89.3
UNEMPLOYED	82.0	85.7	83.8	87.1	75.5	80.3	73.3	76.1
NOT IN LABOR FORCE	92.0	93.3	93.8	94.9	80.2	82.7	79.6	82.1
JUL 84								
TOTAL CNP	92.8	94.5	94.1	95.5	83.1	87.1	82.7	85.7
EMPLOYED	93.9	95.6	94.9	96.3	85.6	89.6	84.8	87.8
UNEMPLOYED	81.2	84.8	83.7	86.6	73.9	79.7	74.0	78.2
NOT IN LABOR FORCE	92.4	93.8	93.9	95.1	82.1	85.7	80.8	83.5
NOV 84								
TOTAL CNP	92.6	94.4	94.1	95.5	82.0	86.2	82.9	85.5
EMPLOYED	93.8	95.6	94.8	96.4	84.7	89.1	85.1	87.8
UNEMPLOYED	81.8	85.6	84.3	87.3	74.7	80.8	74.7	77.8
NOT IN LABOR FORCE	92.0	93.4	93.8	95.0	79.8	83.2	80.6	82.9
MAR 85								
TOTAL CNP	93.0	94.5	94.2	95.5	83.5	86.8	83.3	85.4
EMPLOYED	94.3	95.8	95.1	96.4	87.1	90.2	85.1	87.0
UNEMPLOYED	82.9	86.0	84.6	87.1	76.1	81.3	72.6	75.1
NOT IN LABOR FORCE	92.1	93.5	93.8	94.9	80.2	83.4	82.5	84.3
JUL 85								
TOTAL CNP	92.9	94.6	94.0	95.5	84.5	87.9	82.9	85.0
EMPLOYED	94.0	95.8	94.8	96.4	87.4	90.6	84.5	86.5
UNEMPLOYED	83.6	87.3	85.5	88.7	78.0	83.0	77.9	80.7
NOT IN LABOR FORCE	92.2	93.6	93.6	94.8	82.0	85.1	81.1	83.5
NOV 85								
TOTAL CNP	93.1	94.7	94.3	95.7	84.4	87.4	84.2	86.9
EMPLOYED	94.4	96.0	95.2	96.6	87.5	90.5	85.8	88.7
UNEMPLOYED	80.5	84.3	82.4	86.0	74.9	79.0	70.9	74.9
NOT IN LABOR FORCE	92.3	93.7	93.9	95.1	82.2	85.1	84.2	86.0

ALL RACES WHITE BLACK HISPANIC ORIGIN

PERCENTAGE OF HOUSEHOLDS WITH A TELEPHONE BY HOUSEHOLD SIZE

HOUSEHOLD SIZE	ALL RACES		WHITE		BLACK		HISPANIC ORIGIN	
	Unit	Avail.	Unit	Avail.	Unit	Avail.	Unit	Avail.
AVERAGE								
TOTAL	91.7	93.8	93.2	95.0	80.2	84.7	81.1	84.3
1 PERSON	87.9	91.4	90.1	93.3	73.8	79.8	72.6	79.4
2 - 3	93.3	95.0	94.5	95.9	83.5	87.4	82.5	85.4
4 - 5	93.2	94.6	94.4	95.5	84.5	87.9	84.6	86.6
6 +	88.3	90.1	91.2	92.3	78.2	81.9	82.2	84.0
NOV 83								
TOTAL	91.4	93.7	93.1	95.0	78.8	83.9	80.7	84.6
1 PERSON	87.5	91.3	90.2	93.7	71.2	77.1	73.8	82.0
2 - 3	93.3	95.0	94.5	95.9	82.5	87.8	80.7	84.3
4 - 5	92.4	94.2	93.6	95.0	83.1	87.3	83.4	86.2
6 +	86.6	88.9	90.5	92.2	74.5	78.5	81.0	84.0
MAR 84								
TOTAL	91.8	93.6	93.3	94.9	80.1	84.1	80.7	83.6
1 PERSON	88.6	91.7	90.7	93.3	73.9	79.9	72.2	76.4
2 - 3	93.3	94.9	94.5	95.8	82.4	86.2	80.7	84.2
4 - 5	92.7	94.0	94.1	95.2	82.9	85.7	85.4	87.2
6 +	86.4	88.3	88.6	90.2	78.8	82.0	78.8	81.5
JULY 84								
TOTAL	91.6	93.8	93.2	95.0	80.5	85.3	81.1	84.6
1 PERSON	88.6	92.1	90.2	93.4	77.3	83.2	71.9	80.5
2 - 3	93.1	94.9	94.4	95.8	82.2	87.2	82.5	85.1
4 - 5	92.3	93.9	93.8	95.1	81.9	86.1	83.9	86.3
6 +	87.6	89.3	91.0	92.3	76.1	79.0	79.5	83.1
NOV 84								
TOTAL	91.4	93.6	93.1	95.0	78.9	84.0	81.1	84.5
1 PERSON	87.8	91.5	90.1	93.5	73.5	78.9	74.6	81.1
2 - 3	93.1	95.0	94.4	96.0	82.3	87.1	82.7	86.2
4 - 5	92.3	93.9	93.9	95.1	80.6	85.3	82.6	85.1
6 +	86.8	88.8	89.8	91.0	74.0	79.3	79.1	80.8
MAR 85								
TOTAL	91.8	93.7	93.3	95.0	80.1	84.4	81.2	84.1
1 PERSON	88.9	92.3	91.1	94.0	73.7	80.4	75.0	82.4
2 - 3	93.4	94.8	94.5	95.7	83.8	86.8	82.4	84.8
4 - 5	92.2	93.7	93.6	94.8	81.9	86.2	81.5	83.4
6 +	87.4	89.4	90.7	92.0	75.0	79.0	84.0	85.5
July 85								
TOTAL	91.8	93.9	93.2	95.0	81.6	85.8	80.3	83.3
1 PERSON	87.0	90.7	89.3	92.6	73.9	80.2	67.8	74.3
2 - 3	93.5	95.1	94.5	95.9	85.1	88.4	83.8	85.9
4 - 5	95.1	96.0	95.7	96.4	91.9	93.5	86.5	87.6
6 +	91.6	92.2	94.4	94.5	82.2	85.0	84.5	84.5
NOVEMBER 85								
TOTAL	91.9	94.0	93.3	95.2	81.5	85.3	82.5	85.7
1 PERSON	86.8	90.6	89.3	92.8	73.3	78.8	73.0	78.8
2 - 3	93.7	95.2	94.7	95.9	85.9	88.6	84.7	87.5
4 - 5	95.2	96.3	96.3	97.0	89.1	91.3	89.0	90.1
6 +	91.9	93.8	93.5	94.2	86.6	90.9	88.3	88.3

ALL RACES WHITE BLACK HISPANIC

PERCENTAGE OF FAMILIES WITH A TELEPHONE BY INCOME

	ALL RACES		WHITE		BLACK		HISPANIC ORIGIN	
	Unit	Avail.	Unit	Avail.	Unit	Avail.	Unit	Avail.
AVERAGE								
TOTAL	91.7	93.8	93.2	95.0	80.2	84.7	81.1	84.3
< $5,000	71.6	77.9	75.0	81.0	63.4	70.5	58.4	64.6
$5,000 - $7,499	83.0	86.8	85.0	88.4	74.4	80.3	68.6	73.0
$7,500 - $9,999	86.8	89.9	88.4	91.1	79.0	83.9	74.6	79.3
$10,000 - $12,499	89.7	92.4	91.0	93.5	81.8	86.1	79.6	83.5
$12,500 - $14,999	91.6	94.1	92.7	94.8	83.8	88.9	85.7	88.6
$15,000 - $17,499	93.7	95.7	94.3	96.1	88.9	92.4	87.1	89.5
$17,500 - $19,999	95.0	96.4	95.4	96.8	91.6	94.0	90.4	92.6
$20,000 - $24,999	96.6	97.7	96.9	97.8	93.5	95.6	92.1	94.1
$25,000 - $29,999	97.9	98.6	98.1	98.8	95.5	97.2	95.2	96.9
$30,000 - $34,999	98.7	99.1	98.8	99.2	96.8	97.8	98.0	98.3
$35,000 - $39,999	99.0	99.4	99.1	99.5	97.4	98.1	97.3	98.8
$40,000 - $49,999	99.2	99.5	99.3	99.6	97.2	97.5	98.5	98.9
$50,000 - $74,999	99.4	99.7	99.4	99.7	98.0	98.8	99.7	99.8
$75,000 +	99.1	99.5	99.1	99.5	97.5	99.0	98.5	99.4
NOVEMBER 83								
TOTAL	91.4	93.7	93.1	95.0	78.8	83.9	80.7	84.6
UNDER $5,000	71.7	78.4	75.7	81.9	62.7	70.4	58.3	64.6
$5,000 - $7,499	82.7	87.2	84.5	88.5	74.7	82.0	71.1	76.5
$7,500 - $9,999	88.2	90.9	89.6	92.2	80.5	83.9	72.6	77.9
$10,000 - $12,499	89.7	92.7	91.2	93.9	82.0	86.2	76.8	82.1
$12,500 - $14,999	92.1	94.6	93.4	95.2	82.5	90.7	89.8	91.7
$15,000 - $17,499	94.6	96.2	94.9	96.4	91.7	95.1	86.9	90.8
$17,500 - $19,999	95.7	97.4	96.1	97.7	91.4	95.0	88.4	91.5
$20,000 - $24,999	96.9	97.8	97.4	98.2	91.2	93.2	93.1	94.3
$25,000 - $29,999	98.0	98.9	98.2	99.0	96.1	97.2	98.3	99.0
$30,000 - $34,999	98.8	99.1	99.0	99.2	95.1	97.7	97.7	98.9
$35,000 - $39,999	99.0	99.5	99.1	99.5	98.4	98.4	92.1	98.2
$40,000 - $49,999	99.2	99.5	99.4	99.7	97.3	97.3	100.0	100.0
$50,000 - $74,999	99.4	99.7	99.5	99.7	98.5	100.0	99.6	100.0
$75,000 +	99.4	99.6	99.4	99.6	100.0	100.0	100.0	100.0
MARCH 1984								
TOTAL	91.8	93.6	93.3	94.9	80.1	84.1	80.7	83.6
UNDER $5,000	71.4	77.0	74.7	79.8	62.8	69.7	53.6	60.2
$5,000 - $7,499	83.6	86.8	85.8	88.7	74.6	79.1	70.0	73.9
$7,500 - $9,999	85.8	89.3	87.7	90.8	75.9	81.1	72.2	76.3
$10,000 - $12,499	90.0	92.4	91.3	93.5	82.5	86.3	81.8	86.2
$12,500 - $14,999	92.7	94.3	93.6	95.2	84.6	86.7	88.5	89.7
$15,000 - $17,499	93.6	95.6	94.3	95.9	87.6	92.7	89.4	91.2
$17,500 - $19,999	95.3	96.3	95.4	96.3	94.8	96.4	87.1	88.0
$20,000 - $24,999	97.1	98.0	97.3	98.1	94.6	97.4	90.0	92.8
$25,000 - $29,999	98.1	98.6	98.5	98.9	93.5	94.8	96.2	97.6
$30,000 - $34,999	98.8	99.2	98.8	99.3	97.5	97.5	99.2	99.2
$35,000 - $39,999	99.4	99.6	99.5	99.7	96.3	97.2	100.0	100.0
$40,000 - $49,999	99.4	99.6	99.5	99.7	98.0	98.3	100.0	100.0
$50,000 - $74,999	99.2	99.6	99.3	99.7	97.0	97.0	100.0	100.0
$75,000 +	98.9	99.6	99.0	99.6	94.0	100.0	95.1	100.0
JULY 1984								
TOTAL	91.6	93.8	93.2	95.0	80.5	85.3	81.1	84.6

	ALL RACES		WHITE		BLACK		HISPANIC	
UNDER $5,000	71.8	77.9	74.5	80.1	65.4	72.4	53.2	60.6
$5,000 - $7,499	82.6	86.9	84.8	88.8	74.4	80.3	71.7	76.1
$7,500 - $9,999	86.5	89.8	88.6	91.3	75.6	82.4	76.4	83.3
$10,000 - $12,499	89.7	92.7	90.7	93.3	83.4	88.9	80.7	84.1
$12,500 - $14,999	91.7	94.6	92.8	95.3	85.0	90.0	87.0	93.0
$15,000 - $17,499	94.1	95.9	94.5	96.3	89.4	91.1	87.6	88.0
$17,500 - $19,999	95.6	97.0	96.1	97.2	92.4	95.7	94.4	95.3
$20,000 - $24,999	96.8	97.8	97.2	98.0	92.9	95.7	96.7	97.3
$25,000 - $29,999	97.9	98.6	98.1	98.6	95.8	98.4	96.3	97.4
$30,000 - $34,999	98.8	99.1	98.8	99.2	97.7	97.7	100.0	100.0
$35,000 - $39,999	99.2	99.6	99.3	99.6	98.1	99.1	98.0	98.0
$40,000 - $49,999	99.3	99.5	99.5	99.7	96.1	96.1	100.0	100.0
$50,000 - $74,999	99.7	99.8	99.7	99.8	98.8	100.0	100.0	100.0
$75,000 +	99.1	99.6	99.1	99.6	100.0	100.0	100.0	100.0
NOVEMBER 1984								
TOTAL	91.4	93.6	93.1	95.0	78.9	84.0	81.1	84.5
UNDER $5,000	70.3	77.5	74.4	81.3	61.4	69.4	58.5	66.1
$5,000 - $7,499	83.7	87.1	85.8	88.6	75.3	81.2	67.7	70.8
$7,500 - $9,999	87.0	89.8	88.7	90.9	80.2	84.7	76.3	79.5
$10,000 - $12,499	89.4	92.6	91.4	94.1	77.4	83.6	76.8	83.5
$12,500 - $14,999	92.0	94.2	92.5	94.5	86.6	91.6	86.5	88.9
$15,000 - $17,499	93.3	95.6	93.8	95.8	88.6	93.0	88.3	91.0
$17,500 - $19,999	94.3	95.9	95.2	96.5	88.0	91.0	91.5	95.2
$20,000 - $24,999	96.5	97.6	96.8	97.9	92.3	94.3	90.7	93.3
$25,000 - $29,999	98.4	99.1	98.6	99.2	96.0	98.3	96.7	96.7
$30,000 - $34,999	98.6	99.1	98.9	99.3	95.3	96.6	97.1	98.0
$35,000 - $39,999	99.1	99.4	99.1	99.4	98.7	98.7	96.5	97.6
$40,000 - $49,999	99.2	99.6	99.3	99.7	95.7	96.4	96.8	97.8
$50,000 - $74,999	99.5	99.9	99.6	99.9	98.3	98.3	100.0	100.0
$75,000 +	98.7	99.5	98.8	99.5	95.6	100.0	99.0	100.0
MARCH 1985								
TOTAL	91.8	93.7	93.3	95.0	80.1	84.4	81.2	84.1
UNDER $5,000	71.1	77.5	75.1	81.0	62.1	69.7	57.9	64.1
$5,000 - $7,499	82.5	86.1	85.0	88.1	72.0	77.6	65.9	70.8
$7,500 - $9,999	86.3	89.2	87.6	90.3	79.9	83.9	72.2	77.1
$10,000 - $12,499	89.5	92.2	90.7	93.1	81.5	86.0	85.1	86.6
$12,500 - $14,999	91.4	93.9	92.6	94.7	83.3	87.8	86.9	90.0
$15,000 - $17,499	93.7	95.8	94.6	96.3	88.1	92.0	85.8	88.5
$17,500 - $19,999	94.1	95.5	94.7	96.0	89.1	92.0	93.6	94.2
$20,000 - $24,999	96.2	97.2	96.4	97.3	93.3	95.5	88.8	91.0
$25,000 - $29,999	97.8	98.5	98.0	98.7	95.3	96.6	93.1	96.2
$30,000 - $34,999	98.6	99.0	98.8	99.0	97.3	98.3	97.8	97.8
$35,000 - $39,999	99.0	99.4	99.1	99.4	96.7	98.2	99.5	99.5
$40,000 - $49,999	98.9	99.2	99.0	99.3	97.0	98.0	97.4	97.4
$50,000 - $74,999	99.5	99.6	99.5	99.7	98.4	98.7	98.4	98.4
$75,000 +	99.5	99.6	99.5	99.6	100.0	100.0	100.0	100.0
JULY 1985								
TOTAL	91.8	93.9	93.2	95.0	81.6	85.8	80.3	83.3
UNDER $5,000	72.0	77.9	74.9	80.7	64.5	71.1	60.7	65.8
$5,000 - $7,499	83.2	87.0	84.6	87.9	76.7	83.2	67.9	71.2
$7,500 - $9,999	86.9	90.8	87.7	91.1	82.3	88.1	76.0	78.1
$10,000 - $12,499	89.7	92.5	91.1	93.6	82.1	86.8	76.7	79.5
$12,500 - $14,999	91.0	93.6	92.6	94.9	80.2	84.6	79.2	83.2
$15,000 - $17,499	93.4	95.5	94.2	96.2	88.6	91.2	86.1	88.4

	ALL RACES		WHITE		BLACK		HISPANIC	
$17,500 - $19,999	94.5	96.1	94.8	96.5	91.9	93.0	87.1	89.8
$20,000 - $24,999	96.7	97.8	96.8	98.0	94.7	96.5	92.9	95.7
$25,000 - $29,999	97.1	98.1	97.4	98.2	94.4	97.0	91.5	95.2
$30,000 - $34,999	98.4	98.9	98.5	99.0	96.5	97.9	96.9	96.9
$35,000 - $39,999	98.7	99.2	98.8	99.4	98.4	98.4	95.8	98.6
$40,000 - $49,999	99.3	99.6	99.3	99.6	99.3	99.3	98.8	98.8
$50,000 - $74,999	99.3	99.7	99.4	99.7	97.7	98.8	100.0	100.0
$75,000 +	99.0	99.4	99.0	99.4	100.0	100.0	95.6	95.6
NOVEMBER 1985								
TOTAL	91.9	94.0	93.3	95.2	81.5	85.3	82.5	85.7
UNDER $5,000	72.7	79.0	75.9	82.2	65.2	71.1	66.4	71.0
$5,000 - $7,499	82.5	86.3	84.7	88.2	73.3	78.6	65.9	71.9
$7,500 - $9,999	87.1	89.9	88.9	91.4	78.7	82.9	76.8	82.8
$10,000 - $12,499	89.6	92.0	90.5	93.1	83.3	85.2	79.3	82.4
$12,500 - $14,999	90.6	93.6	91.6	93.9	84.7	90.9	82.4	84.2
$15,000 - $17,499	93.1	95.5	93.8	96.1	88.0	92.1	85.3	89.0
$17,500 - $19,999	95.4	96.9	95.8	97.3	93.5	95.3	90.7	94.4
$20,000 - $24,999	96.0	97.4	96.1	97.5	95.1	96.8	92.3	94.4
$25,000 - $29,999	98.0	98.8	98.1	98.8	97.5	98.3	94.3	96.3
$30,000 - $34,999	98.7	99.1	98.8	99.2	98.2	98.9	97.3	97.3
$35,000 - $39,999	98.6	99.1	98.8	99.3	95.5	96.7	99.2	100.0
$40,000 - $49,999	99.0	99.3	99.1	99.4	97.0	97.3	96.3	98.3
$50,000 - $74,999	99.2	99.7	99.3	99.7	97.5	98.8	100.0	100.0
$75,000 +	99.2	99.3	99.3	99.4	92.7	92.7	100.0	100.0

ALL RACES WHITE BLACK HISPANIC ORIGIN

PRINCIPAL PERSONS WITH A TELEPHONE BY AGE

PRINCIPLE PERSONS AGE	ALL RACES		WHITE		BLACK		HISPANIC ORIGIN	
	Unit	Avail.	Unit	Avail.	Unit	Avail.	Unit	Avail.
7 MONTH AVERAGE								
TOTAL HOUSEHOLDS	91.7	93.8	93.2	95.0	80.2	84.7	81.1	84.3
16-24 YRS OLD	77.3	83.7	80.0	85.7	57.8	69.8	63.2	70.3
25-54 YRS OLD	91.7	93.8	93.4	95.1	79.9	84.3	82.7	85.5
55-59 YRS OLD	94.9	96.1	95.9	96.9	87.1	89.4	87.5	89.6
60-64 YRS OLD	95.0	96.0	96.0	96.8	87.8	89.7	88.3	90.2
65-69 YRS OLD	96.0	96.8	96.9	97.5	88.0	90.2	89.8	91.5
70-99 YRS OLD	95.4	96.5	96.1	97.1	88.9	91.0	85.9	89.2
NOVEMBER 1983								
TOTAL HOUSEHOLDS	91.4	93.7	93.1	95.0	78.8	83.9	80.7	84.6
16-24 YRS OLD	76.6	84.1	80.2	86.2	49.9	68.2	64.9	71.9
25-54 YRS OLD	91.5	93.7	93.4	95.2	78.7	83.3	81.8	85.6
55-59 YRS OLD	95.0	96.1	96.1	97.0	86.3	88.5	89.3	89.3
60-64 YRS OLD	95.5	96.4	96.4	97.2	89.5	90.7	87.3	90.2
65-69 YRS OLD	95.5	96.2	96.5	97.0	87.2	89.0	90.7	90.7
70-99 YRS OLD	95.4	96.5	96.0	97.0	90.1	92.3	85.5	89.1
MARCH 1984								
TOTAL HOUSEHOLDS	91.8	93.6	93.3	94.9	80.1	84.1	80.7	83.6
16-24 YRS OLD	77.8	84.0	80.3	85.5	57.9	71.5	59.0	66.2
25-54 YRS OLD	91.9	93.7	93.5	95.0	80.4	84.0	83.2	85.6
55-59 YRS OLD	94.9	95.9	95.7	96.6	87.6	89.9	88.7	90.5
60-64 YRS OLD	94.2	95.3	95.9	96.7	81.7	85.0	87.4	89.6
65-69 YRS OLD	96.1	96.6	97.0	97.4	87.8	89.3	85.8	87.8
70-99 YRS OLD	95.3	96.3	96.2	97.1	87.2	88.8	82.2	85.5
JULY 1984								
TOTAL HOUSEHOLDS	91.6	93.8	93.2	95.0	80.5	85.3	81.1	84.6
16-24 YRS OLD	77.0	83.3	79.4	85.3	60.4	70.0	62.9	70.8
25-54 YRS OLD	91.7	93.8	93.4	95.1	79.8	84.9	83.1	85.8
55-59 YRS OLD	95.1	96.3	96.1	97.1	87.5	90.2	87.4	91.4
60-64 YRS OLD	95.0	96.2	95.8	96.9	87.7	89.5	89.1	90.5
65-69 YRS OLD	96.4	97.1	97.3	97.9	89.3	91.3	88.7	90.6
70-99 YRS OLD	95.2	96.5	95.9	96.9	89.6	93.1	84.0	88.5
NOVEMBER 1984								
TOTAL HOUSEHOLDS	91.4	93.6	93.1	95.0	78.9	84.0	81.1	84.5
16-24 YRS OLD	76.1	83.4	79.0	85.4	56.3	70.8	60.8	70.8
25-54 YRS OLD	91.4	93.6	93.3	95.1	78.5	63.3	83.1	85.8
55-59 YRS OLD	94.9	96.2	96.3	97.5	84.7	87.4	85.3	88.3
60-64 YRS OLD	95.6	96.5	96.5	97.3	90.3	92.1	86.0	87.2
65-69 YRS OLD	96.0	96.7	97.1	97.6	86.7	89.1	96.2	96.2
70-99 YRS OLD	95.3	96.6	96.1	97.2	88.0	90.7	87.1	88.8
MARCH 1985								
TOTAL HOUSEHOLDS	91.8	93.7	93.3	95.0	80.1	84.4	81.2	84.1
16-24 YRS OLD	77.3	83.1	79.6	84.8	59.8	70.0	62.4	67.1
25-54 YRS OLD	91.9	93.8	93.6	95.2	79.5	83.9	83.0	85.5
55-59 YRS OLD	94.9	95.9	95.8	96.7	87.3	89.1	86.5	89.1
60-64 YRS OLD	94.3	95.4	95.5	96.2	84.4	87.6	91.3	93.2
65-69 YRS OLD	96.1	97.0	96.8	97.5	90.7	93.6	86.5	90.4
70-99 YRS OLD	95.6	96.5	96.5	97.3	87.4	89.4	87.4	91.7

	ALL RACES		WHITE		BLACK		HISPANIC ORIGIN	
JULY 1985								
TOTAL HOUSEHOLDS	91.8	93.9	93.2	95.0	81.6	85.8	80.3	83.3
16-24 YRS OLD	78.3	84.4	80.7	86.3	59.6	70.2	67.8	73.7
25-54 YRS OLD	91.8	93.9	93.3	95.1	81.4	85.8	81.0	83.6
55-59 YRS OLD	94.7	95.9	95.9	96.8	86.3	89.4	87.2	88.0
60-64 YRS OLD	95.0	95.9	95.5	96.4	91.1	91.8	85.5	88.3
65-69 YRS OLD	95.5	96.5	96.7	97.4	86.1	88.5	85.9	89.7
70-99 YRS OLD	95.6	96.8	96.2	97.3	90.8	92.4	87.6	90.5
NOVEMBER 1985								
TOTAL HOUSEHOLDS	91.9	94.0	93.3	95.2	81.5	85.3	82.5	85.7
16-24 YRS OLD	78.0	83.9	80.6	86.3	60.7	68.1	64.3	71.6
25-54 YRS OLD	91.9	94.0	93.5	95.3	81.1	85.2	83.4	86.5
55-59 YRS OLD	95.0	96.2	95.7	96.8	90.0	91.4	88.4	90.6
60-64 YRS OLD	95.5	96.3	96.3	97.0	69.8	91.3	92.3	92.3
65-69 YRS OLD	96.1	97.0	97.0	97.7	88.0	90.8	95.1	95.1
70-99 YRS OLD	95.3	96.6	96.0	97.2	88.9	90.5	87.8	90.4

CURRENT POPULATION SURVEY MARCH 1984

NO. OF PERSONS IN HOUSEHOLD	SAMPLE SIZE	POPULATION ESTIMATES (000)		
		HOUSEHOLDS	NO. WITH PHONE	% WITH PHONE
1	13355	20044.152	17812.573	88.9
2	18122	26729.311	25079.483	93.8
3	10406	15058.533	13927.968	92.5
4	9535	13516.085	12557.980	92.9
5	4408	6056.906	5579.313	92.1
6	1749	2357.693	2084.421	88.4
7	644	825.234	719.512	87.2
8	262	323.507	272.187	84.1
9-24	198	241.170	170.904	70.9
TOTAL	58679	85152.592	78234.342	91.8

CURRENT POPULATION SURVEY MARCH 1985

NO. OF PERSONS IN HOUSEHOLD	SAMPLE SIZE	POPULATION ESTIMATES (000)		
		HOUSEHOLDS	NO. WITH PHONE	% WITH PHONE
1	13654	20601.130	18341.264	89.0
2	18524	27226.836	25626.921	94.1
3	10527	15401.876	14194.056	92.2
4	9511	13545.437	12535.985	92.5
5	4341	6072.922	5560.545	91.6
6	1689	2290.416	2044.093	89.2
7	605	780.506	656.545	84.1
8	225	276.252	230.154	83.3
9-24	198	232.094	190.401	82.0
TOTAL	59274	86427.467	79379.965	91.8

CURRENT POPULATION SURVEY MARCH 1984

NO. OF FAMILIES IN HOUSEHOLD	SAMPLE SIZE	POPULATION ESTIMATES (000) HOUSEHOLDS	NO. WITH PHONE	% WITH PHONE
1	53895	78360.196	72353.428	92.3
2	4287	6124.425	5264.121	86.0
3	396	545.933	483.567	88.6
4-10	101	122.438	103.225	84.3
TOTAL	58679	85152.992	78204.342	91.8

CURRENT POPULATION SURVEY MARCH 1985

NO. OF FAMILIES IN HOUSEHOLD	SAMPLE SIZE	POPULATION ESTIMATES (000) HOUSEHOLDS	NO. WITH PHONE	% WITH PHONE
1	54469	79436.110	73297.958	92.3
2	4303	6251.979	5462.789	87.4
3	394	584.616	494.551	84.6
4-10	108	154.762	124.667	80.6
TOTAL	59274	86427.457	79379.965	91.8

CURRENT POPULATION SURVEY MARCH 1984

NO. OF HOUSING UNITS IN STRUCTURE	SAMPLE SIZE	POPULATION ESTIMATES (000) HOUSEHOLDS	POPULATION ESTIMATES (000) NO. WITH PHONE	% WITH PHONE
1	39322	56366.585	53052.115	94.1
2	3741	5345.172	4661.023	87.2
3-4	2864	4131.393	3529.614	85.4
5-9	2431	3596.379	3049.533	84.8
10+	5315	8230.270	7182.995	87.3
N A	5006	7483.093	6728.761	89.9
TOTAL	58679	85152.892	78204.342	91.8

CURRENT POPULATION SURVEY MARCH 1985

NO. OF HOUSING UNITS IN STRUCTURE	SAMPLE SIZE	POPULATION ESTIMATES (000) HOUSEHOLDS	POPULATION ESTIMATES (000) NO. WITH PHONE	% WITH PHONE
1	38903	56435.214	53256.505	94.4
2	3577	5122.167	4399.453	85.9
3-4	2953	4163.191	3567.582	85.7
5-9	2522	3791.788	3169.529	83.6
10+	5653	8533.528	7463.556	87.5
N A	5656	8381.578	7523.339	89.8
TOTAL	59274	86427.467	79379.965	91.8

CURRENT POPULATION SURVEY MARCH 1984

GEOGRAPHIC REGION	SAMPLE SIZE	POPULATION ESTIMATES (000) HOUSEHOLDS	NO. WITH PHONE	% WITH PHONE
NORTHEAST	11892	18153.711	16943.080	93.3
NORTH CENTRAL	14243	21425.479	20179.947	94.2
SOUTH	17558	28739.974	25580.165	89.0
WEST	14986	16833.729	15501.149	92.1
TOTAL	58679	85152.892	78204.342	91.8

CURRENT POPULATION SURVEY MARCH 1985

GEOGRAPHIC REGION	SAMPLE SIZE	POPULATION ESTIMATES (000) HOUSEHOLDS	NO. WITH PHONE	% WITH PHONE
NORTHEAST	13090	18305.329	17166.310	93.8
NORTH CENTRAL	14318	21701.503	20295.021	93.5
SOUTH	17935	29374.851	26219.776	89.3
WEST	13931	17045.783	15698.857	92.1
TOTAL	59274	86427.467	79379.965	91.8

CURRENT POPULATION SURVEY MARCH 1984

GEOGRAPHIC	SAMPLE	POPULATION ESTIMATES (000)		
DIVISION	SIZE	HOUSEHOLDS	NO. WITH PHONE	% WITH PHONE
NEW ENGLAND	4432	4592.350	4359.399	94.9
MIDDLE ATLANTIC	7460	13561.361	12583.682	92.8
EAST NORTH CENTRAL	8062	15007.290	14114.863	94.1
WEST NORTH CENTRAL	6181	6418.138	6065.084	94.5
SOUTH ATLANTIC	8701	14194.147	12767.176	89.9
EAST SOUTH CENTRAL	3336	5372.050	4659.187	86.7
WEST SOUTH CENTRAL	5521	9173.777	8153.802	88.9
MOUNTAIN	6315	4474.237	4067.954	90.9
PACIFIC	8671	12359.492	11433.195	92.5
TOTAL	58679	85152.892	78204.342	91.8

CURRENT POPULATION SURVEY MARCH 1985

GEOGRAPHIC	SAMPLE	POPULATION ESTIMATES (000)		
DIVISION	SIZE	HOUSEHOLDS	NO. WITH PHONE	% WITH PHONE
NEW ENGLAND	4708	4619.091	4372.423	94.7
MIDDLE ATLANTIC	8352	13686.235	12793.888	93.5
EAST NORTH CENTRAL	8477	15213.068	14130.396	92.9
WEST NORTH CENTRAL	5841	6488.435	6164.625	95.0
SOUTH ATLANTIC	9479	14719.943	13301.987	90.4
EAST SOUTH CENTRAL	3014	5479.098	4787.679	87.4
WEST SOUTH CENTRAL	5442	9175.810	8130.110	88.6
MOUNTAIN	5691	4556.035	4157.088	91.2
PACIFIC	8240	12489.748	11541.769	92.4
TOTAL	59274	86427.467	79379.965	91.8

CURRENT POPULATION SURVEY MARCH 1984

STATE	SAMPLE SIZE	POPULATION ESTIMATES (000) HOUSEHOLDS	NO. WITH PHONE	% WITH PHONE
ALABAMA	916	1429.399	1272.447	89.0
ALASKA	854	171.336	147.218	85.9
ARIZONA	841	1135.669	1022.334	90.0
ARKANSAS	739	816.488	711.980	87.2
CALIFORNIA	5530	9273.064	8589.366	92.6
COLORADO	1021	1189.545	1125.427	94.6
CONNECTICUT	656	1177.023	1114.390	94.7
DELAWARE	555	207.965	198.602	95.5
DISTRICT OF COLUMBIA	582	249.701	239.351	95.9
FLORIDA	2154	4330.033	3891.933	89.9
GEORGIA	1039	2024.984	1739.978	85.9
HAWAII	591	319.780	300.717	94.0
IDAHO	744	340.936	308.811	90.6
ILLINOIS	2152	4135.824	3952.731	95.6
INDIANA	1060	1940.515	1786.121	92.0
IOWA	939	1088.408	1043.063	95.8
KANSAS	748	921.125	870.087	94.5
KENTUCKY	784	1319.300	1149.388	87.1
LOUISIANA	791	1543.465	1383.050	89.6
MAINE	701	403.101	380.312	94.3
MARYLAND	939	1459.778	1404.391	96.2
MASSACHUSETTS	1343	2096.747	2006.223	95.7
MICHIGAN	1786	3250.427	3032.382	93.3
MINNESOTA	1088	1494.568	1433.957	95.9
MISSISSIPPI	794	906.755	742.966	81.9
MISSOURI	1045	1830.295	1686.803	92.2
MONTANA	830	301.450	272.316	90.3
NEBRASKA	751	584.780	564.867	96.6
NEVADA	613	342.487	318.625	93.0
NEW HAMPSHIRE	539	354.426	335.826	94.8
NEW JERSEY	1491	2688.842	2517.094	93.6
NEW MEXICO	863	478.781	393.175	82.1
NEW YORK	3676	6511.245	5950.656	91.4
NORTH CAROLINA	1072	2137.850	1902.087	89.0
NORTH DAKOTA	739	247.470	232.287	93.9
OHIO	2159	3938.041	3670.730	93.2
OKLAHOMA	889	1302.142	1185.213	91.0
OREGON	791	988.533	903.726	91.4
PENNSYLVANIA	2293	4361.274	4115.931	94.4
RHODE ISLAND	605	366.703	344.828	94.0
SOUTH CAROLINA	622	1147.061	976.590	85.1
SOUTH DAKOTA	871	251.542	234.020	93.0
TENNESSEE	842	1716.596	1494.385	87.1
TEXAS	3102	5511.682	4873.560	88.4
UTAH	836	499.837	461.698	92.4
VERMONT	588	194.351	177.821	91.5
VIRGINIA	1049	1923.447	1791.789	93.2
WASHINGTON	905	1606.778	1492.167	92.9
WEST VIRGINIA	689	713.329	622.454	87.3
WISCONSIN	905	1742.483	1672.699	96.0
WYOMING	569	185.532	165.569	89.2
TOTAL	58679	85152.892	78204.342	91.8

CURRENT POPULATION SURVEY MARCH 1985

STATE	SAMPLE SIZE	POPULATION ESTIMATES (000) HOUSEHOLDS	NO. WITH PHONE	% WITH PHONE
ALABAMA	751	1436.571	1271.276	88.5
ALASKA	849	169.695	151.686	89.4
ARIZONA	743	1178.675	1020.676	86.6
ARKANSAS	783	884.795	758.058	85.7
CALIFORNIA	5415	9316.108	8628.308	92.6
COLORADO	806	1183.355	1138.480	96.2
CONNECTICUT	647	1190.063	1119.356	94.1
DELAWARE	596	224.112	215.763	96.3
DISTRICT OF COLUMBIA	623	247.242	227.355	92.0
FLORIDA	2566	4400.372	3910.984	88.9
GEORGIA	849	2111.808	1884.870	89.3
HAWAII	528	330.579	308.850	93.4
IDAHO	740	349.135	321.056	92.0
ILLINOIS	2303	4155.447	3923.684	94.4
INDIANA	970	2073.199	1900.363	91.7
IOWA	819	1088.122	1043.456	95.9
KANSAS	741	903.401	856.481	94.8
KENTUCKY	705	1361.873	1212.756	89.1
LOUISIANA	723	1515.458	1375.210	90.7
MAINE	648	429.665	404.702	94.2
MARYLAND	901	1573.570	1499.863	95.3
MASSACHUSETTS	1810	2078.420	1994.043	95.9
MICHIGAN	2084	3235.290	2999.481	92.7
MINNESOTA	884	1533.311	1489.138	97.1
MISSISSIPPI	749	887.999	725.791	81.7
MISSOURI	1009	1868.505	1733.364	92.8
MONTANA	729	305.671	281.900	92.2
NEBRASKA	765	596.697	575.594	96.5
NEVADA	577	363.242	332.094	91.4
NEW HAMPSHIRE	506	360.586	336.525	93.3
NEW JERSEY	1916	2704.296	2574.645	95.2
NEW MEXICO	859	482.714	406.761	84.3
NEW YORK	4002	6558.712	6044.831	92.2
NORTH CAROLINA	1724	2244.419	2018.358	89.9
NORTH DAKOTA	783	244.827	232.229	94.9
OHIO	2311	3936.360	3606.955	91.6
OKLAHOMA	815	1213.067	1095.291	90.3
OREGON	685	1015.834	909.700	89.6
PENNSYLVANIA	2464	4423.230	4174.412	94.4
RHODE ISLAND	577	367.953	343.336	93.3
SOUTH CAROLINA	616	1156.279	1012.276	87.5
SOUTH DAKOTA	840	253.571	234.365	92.4
TENNESSEE	809	1792.655	1577.857	88.0
TEXAS	3121	5562.490	4901.551	88.1
UTAH	668	517.137	493.692	95.5
VERMONT	520	192.404	174.461	90.7
VIRGINIA	935	2050.885	1906.295	92.9
WASHINGTON	763	1657.532	1543.226	93.1
WEST VIRGINIA	689	711.256	626.224	88.0
WISCONSIN	809	1812.772	1699.913	93.8
WYOMING	569	176.108	162.427	92.2
TOTAL	59274	86427.467	79379.965	91.8

CURRENT POPULATION SURVEY MARCH 1984

STANDARD METROPOLITAN STATISTICAL AREA (LISTED IN ORDER OF 1970 SIZE)	SAMPLE SIZE	POPULATION ESTIMATES (000) HOUSEHOLDS	NO. WITH PHONE	% WITH PHONE
NEW YORK, NY	2005	3152.331	2794.274	88.6
LOS ANGELES/LONG BEACH, CA	1783	2875.592	2649.663	92.1
CHICAGO, IL	1405	2532.309	2428.908	95.9
PHILADELPHIA, PA/NJ	988	1675.494	1593.460	95.1
DETROIT, MI	755	1635.455	1549.958	94.7
SAN FRANCISCO/OAKLAND, CA	774	1372.861	1282.001	93.4
WASHINGTON, DC/MD/VA	1126	1141.470	1111.563	97.4
BOSTON, MA	623	1005.533	958.306	95.3
NASSAU/SUFFOLK, NY	436	847.793	823.986	97.2
PITTSBURGH, PA	469	883.208	840.493	95.2
ST. LOUIS, MO/IL	441	815.131	762.413	93.5
BALTIMORE, MD	493	782.714	737.403	94.2
CLEVELAND, OH	390	736.135	681.383	92.6
HOUSTON, TX	541	1112.869	988.362	88.8
NEWARK, NJ	340	632.387	576.298	91.1
MINNEAPOLIS/ST. PAUL; MN	455	730.573	708.854	97.0
DALLAS, TX	444	844.572	753.125	89.2
SEATTLE/EVERETT, WA	364	633.778	600.923	94.8
ANAHEIM/SANTA ANA/GARDEN GROVE, CA	489	837.981	813.021	97.0
MILWAUKEE, WI	317	563.443	542.535	96.3
ATLANTA, GA	364	717.723	654.028	91.1
CINCINNATI, OH/KY	305	549.688	510.467	92.9
PATTERSON/CLIFTON/PASSAIC, NJ	273	490.061	461.871	94.2
SAN DIEGO, CA	457	801.795	744.391	92.8
BUFFALO, NY	271	517.944	476.921	92.1
MIAMI, FL	462	717.254	645.593	90.0
KANSAS CITY, MO/KS	329	552.963	521.219	94.3
DENVER, CO	346	697.854	665.074	95.3
SAN BERNARDINO/RIVERSIDE/ONTARIO, CA	296	488.200	448.035	91.8
INDIANAPOLIS, IN	226	461.613	421.420	91.3
SAN JOSE, CA	290	491.092	472.842	96.3
NEW ORLEANS, LA	215	459.600	425.855	92.7
TAMPA/ST. PETERSBURG, FL.	320	603.007	548.742	91.0
PORTLAND, OR/WA	282	468.194	439.108	93.8
COLUMBUS, OH	222	403.437	382.044	94.7
ROCHESTER, NY	184	356.733	331.179	92.8
SACRAMENTO, CA	239	416.694	395.173	94.8
FORT WORTH, TX	237	480.724	442.545	92.1
BIRMINGHAM, AL	184	301.825	280.134	92.8
ALBANY/SCHENECTADY/TROY, NY	133	256.040	239.971	93.7
NORFOLK/PORTSMOUTH, VA	174	298.734	283.656	95.0
AKRON, OH	120	218.087	207.928	95.3
GARY/HAMMOND/EAST CHICAGO, IN	105	200.782	191.164	95.2
GREENSBORO/WINSTON-SALEM/HIGH POINT, NC	127	248.864	221.046	88.8
REMAINDER OF THE UNITED STATES	37780	49342.360	44786.991	90.8
TOTAL	58679	85152.892	78204.342	91.8

CURRENT POPULATION SURVEY   MARCH 1985

STANDARD METROPOLITAN STATISTICAL AREA (LISTED IN ORDER OF 1970 SIZE)	SAMPLE SIZE	POPULATION ESTIMATES (000) HOUSEHOLDS	NO. WITH PHONE	% WITH PHONE
NEW YORK, NY	2353	3682.990	3353.137	91.0
LOS ANGELES/LONG BEACH, CA	2136	2805.759	2574.974	91.8
CHICAGO, IL	1463	2655.375	2521.787	95.0
PHILADELPHIA, PA/NJ	1023	1764.530	1658.964	94.0
DETROIT, MI	877	1399.553	1308.851	93.5
SAN FRANCISCO/OAKLAND, CA	863	1352.206	1299.467	96.1
WASHINGTON, DC/MD/VA	1130	1238.348	1187.586	95.9
BOSTON, MA	798	909.314	877.183	96.5
NASSAU/SUFFOLK, NY	233	482.009	466.582	96.8
PITTSBURGH, PA	481	828.026	788.808	95.3
ST. LOUIS, MO/IL	442	817.834	801.103	98.0
BALTIMORE, MD	466	831.543	776.860	93.4
CLEVELAND, OH	410	718.048	635.748	88.5
HOUSTON, TX	637	1277.990	1125.842	88.1
NEWARK, NJ	443	634.897	600.532	94.6
MINNEAPOLIS/ST. PAUL, MN	615	791.481	776.523	98.1
DALLAS, TX	432	852.177	766.882	90.0
SEATTLE/EVERETT, WA	315	699.696	651.970	93.2
ANAHEIM/SANTA ANA/GARDEN GROVE, CA	430	850.343	816.547	96.0
MILWAUKEE, WI	291	633.379	588.490	92.9
ATLANTA, GA	283	709.104	669.383	94.4
CINCINNATI, OH/KY/IN	320	569.524	537.904	94.4
PATTERSON/CLIFTON/PASSAIC, NJ	355	510.633	491.585	96.3
SAN DIEGO, CA	384	788.633	698.400	88.6
BUFFALO, NY	283	468.347	449.035	95.9
MIAMI, FL	476	715.855	629.732	88.0
KANSAS CITY, MO/KS	334	523.906	498.931	95.2
DENVER, CO	477	730.760	714.509	97.8
SAN BERNARDINO/RIVERSIDE/ONTARIO, CA	313	615.433	583.026	94.7
INDIANAPOLIS, IN	209	455.741	443.300	97.3
SAN JOSE, CA	252	506.372	494.197	97.6
NEW ORLEANS, LA	217	463.112	440.451	95.1
TAMPA/ST. PETERSBURG, FL	371	643.333	576.759	89.7
PORTLAND, OR/WA	262	455.866	420.188	92.2
COLUMBUS, OH	210	350.698	325.536	92.8
ROCHESTER, NY	210	363.640	339.529	93.4
SACRAMENTO, CA	225	447.318	408.842	91.4
FORT WORTH, TX	202	429.591	389.807	90.7
BIRMINGHAM, AL	166	319.335	302.576	94.8
ALBANY/SCHENECTADY/TROY, NY	143	240.898	232.051	96.3
NORFOLK/PORTSMOUTH, VA	130	277.966	265.135	95.4
AKRON, OH	142	242.848	232.608	95.8
GARY/HAMMOND/EAST CHICAGO, IN	98	190.677	180.469	94.6
GREENSBORO/WINSTON-SALEM/HIGH POINT, NC	204	305.569	287.230	94.0
REMAINDER OF THE UNITED STATES	37680	49876.835	45190.746	90.6
TOTAL	59274	86427.467	79379.965	91.8

CURRENT POPULATION SURVEY MARCH 1984

SMSA STATUS	SAMPLE SIZE	POPULATION ESTIMATES (000) HOUSEHOLDS	NO. WITH PHONE	% WITH PHONE
IN SMSA	33358	56136.687	52153.723	92.9
NOT IN SMSA	16443	23521.964	20981.097	89.2
NOT IDENTIFIABLE	8878	5494.241	5069.521	92.3
TOTAL	58679	85152.892	78204.342	91.8

CURRENT POPULATION SURVEY MARCH 1965

SMSA STATUS	SAMPLE SIZE	POPULATION ESTIMATES (000) HOUSEHOLDS	NO. WITH PHONE	% WITH PHONE
IN SMSA	34381	56899.358	52751.682	92.7
NOT IN SMSA	16588	23864.148	21391.337	89.6
NOT IDENTIFIABLE	8305	5663.961	5236.945	92.5
TOTAL	59274	86427.467	79379.965	91.8

CURRENT POPULATION SURVEY MARCH 1984

SMSA CITY	SAMPLE	POPULATION	ESTIMATES (000)	
STATUS	SIZE	HOUSEHOLDS	NO. WITH PHONE	% WITH PHONE
CENTRAL CITY	14857	23932.046	21564.191	90.1
SUBURB	17047	30469.211	29029.292	95.3
NOT IN SMSA	16443	23521.964	20981.097	89.2
NOT IDENTIFIABLE	10332	7229.671	6629.762	91.7
TOTAL	58679	85152.892	78204.342	91.8

CURRENT POPULATION SURVEY MARCH 1985

SMSA CITY	SAMPLE	POPULATION	ESTIMATES (000)	
STATUS	SIZE	HOUSEHOLDS	NO. WITH PHONE	% WITH PHONE
CENTRAL CITY	14841	23722.183	21203.466	89.4
SUBURB	17993	31291.542	29847.284	95.4
NOT IN SMSA	16588	23864.148	21391.337	89.6
NOT IDENTIFIABLE	9852	7549.594	6937.878	91.9
TOTAL	59274	86427.467	79379.965	91.8

CURRENT POPULATION SURVEY MARCH 1984

SMSA POPULATION SIZE BREAKDOWN	SAMPLE SIZE	POPULATION ESTIMATES (000) HOUSEHOLDS	NO. WITH PHONE	% WITH PHONE
OVER 3 MILLION	8066	13891.835	12932.249	93.1
1 TO 3 MILLION	11116	18751.124	17524.587	93.5
UNDER 1 MILLION	14176	23493.727	21696.888	92.4
NOT IN SMSA	25321	29016.205	26050.619	89.8
TOTAL	58679	85152.892	78204.342	91.8

CURRENT POPULATION SURVEY MARCH 1985

SMSA POPULATION SIZE BREAKDOWN	SAMPLE SIZE	POPULATION ESTIMATES (000) HOUSEHOLDS	NO. WITH PHONE	% WITH PHONE
OVER 3 MILLION	8748	14142.423	13183.763	93.2
1 TO 3 MILLION	11196	19239.671	18041.672	93.8
UNDER 1 MILLION	14437	23517.265	21526.247	91.5
NOT IN SMSA	24893	29528.109	26628.292	90.2
TOTAL	59274	86427.467	79379.965	91.8

CURRENT POPULATION SURVEY MARCH 1984

NO. OF PERSONS IN HOUSEHOLD UNDER 18	SAMPLE SIZE	POPULATION ESTIMATES (000)		
		HOUSEHOLDS	NO. WITH PHONE	% WITH PHONE
0	35241	52173.656	48503.153	93.0
1	9442	13590.587	12416.766	91.4
2	8705	12313.774	11210.984	91.0
3	3503	4756.329	4173.965	87.8
4	1203	1589.553	1358.135	85.4
5	363	455.551	344.650	75.7
6-18	222	273.443	196.689	71.9
TOTAL	58679	85152.892	78204.342	91.8

CURRENT POPULATION SURVEY MARCH 1985

NO. OF PERSONS IN HOUSEHOLD UNDER 18	SAMPLE SIZE	POPULATION ESTIMATES (000)		
		HOUSEHOLDS	NO. WITH PHONE	% WITH PHONE
0	35899	53274.005	49571.947	93.1
1	9559	13873.809	12687.538	91.4
2	8646	12241.809	11093.225	90.6
3	3484	4843.486	4229.946	87.3
4	1129	1507.577	1290.529	85.6
5	355	443.018	321.549	72.6
6-18	202	243.762	185.231	76.0
TOTAL	59274	86427.467	79379.965	91.8

CURRENT POPULATION SURVEY MARCH 1984

LAND USE	SAMPLE SIZE	POPULATION ESTIMATES (000)		% WITH PHONE
		HOUSEHOLDS	NO. WITH PHONE	
NONFARM	57059	83338.267	76484.608	91.8
FARM	1620	1814.625	1719.734	94.8
TOTAL	58679	85152.892	78204.342	91.8

CURRENT POPULATION SURVEY MARCH 1985

LAND USE	SAMPLE SIZE	POPULATION ESTIMATES (000)		% WITH PHONE
		HOUSEHOLDS	NO. WITH PHONE	
NONFARM	57837	84662.591	77696.004	91.8
FARM	1437	1764.876	1683.960	95.4
TOTAL	59274	86427.467	79379.965	91.8

CURRENT POPULATION SURVEY MARCH 1984

TYPE OF LIVING QUARTERS	SAMPLE SIZE	POPULATION ESTIMATES (000) HOUSEHOLDS	NO. WITH PHONE	% WITH PHONE
HOUSE OR APARTMENT	55094	79788.199	74143.446	92.9
MOBILE HOME OR TRAILER	3177	4595.076	3713.205	80.8
HOTEL, ROOMING HOUSE, ETC.	238	394.154	124.699	31.6
GROUP QUARTERS	170	375.463	222.992	59.4
TOTAL	58679	85152.892	78204.342	91.8

CURRENT POPULATION SURVEY MARCH 1985

TYPE OF LIVING QUARTERS	SAMPLE SIZE	POPULATION ESTIMATES (000) HOUSEHOLDS	NO. WITH PHONE	% WITH PHONE
HOUSE OR APARTMENT	55654	81267.084	75337.030	92.7
MOBILE HOME OR TRAILER	3288	45[illegible].695	3727.002	81.9
HOTEL, ROOMING HOUSE, ETC.	133	243.194	112.070	46.1
GROUP QUARTERS	199	366.493	203.862	55.6
TOTAL	59274	86427.467	79379.965	91.8

CURRENT POPULATION SURVEY   MARCH 1984

TENURE OF HOUSEHOLD	SAMPLE SIZE	POPULATION ESTIMATES (000) HOUSEHOLDS	NO. WITH PHONE	% WITH PHONE
OWNED OR BEING BOUGHT	37874	54817.839	53188.970	97.0
RENTED	19616	28644.904	23656.700	82.6
NO CASH RENT	1189	1690.149	1358.671	80.4
TOTAL	58679	85152.892	78204.342	91.8

CURRENT POPULATION SURVEY   MARCH 1985

TENURE OF HOUSEHOLD	SAMPLE SIZE	POPULATION ESTIMATES (000) HOUSEHOLDS	NO. WITH PHONE	% WITH PHONE
OWNED OR BEING BOUGHT	38206	55479.089	53771.850	96.9
RENTED	19903	29303.973	24312.353	83.0
NO CASH RENT	1165	1644.405	1295.762	78.8
TOTAL	59274	86427.467	79379.965	91.8

CURRENT POPULATION SURVEY MARCH 1984

PUBLIC HOUSING STATUS OF NONOWNED	SAMPLE SIZE	POPULATION ESTIMATES (000) HOUSEHOLDS	NO. WITH PHONE	% WITH PHONE
IN PUBLIC HOUSING	1437	2087.519	1646.397	78.9
NOT IN PUBLIC HOUSING	19368	28247.533	23368.974	82.7
OWNED	37874	54817.839	53188.970	97.0
TOTAL	58679	85152.892	78204.342	91.8

CURRENT POPULATION SURVEY MARCH 1985

PUBLIC HOUSING STATUS OF NONOWNED	SAMPLE SIZE	POPULATION ESTIMATES (000) HOUSEHOLDS	NO. WITH PHONE	% WITH PHONE
IN PUBLIC HOUSING	1693	2491.285	1990.183	79.9
NOT IN PUBLIC HOUSING	19375	28457.092	23617.932	83.0
OWNED	38206	55479.089	53771.850	96.9
TOTAL	59274	86427.467	79379.965	91.8

CURRENT POPULATION SURVEY MARCH 1984

RENT SUBSIDY STATUS OF NON-PUBLIC HOUSING	SAMPLE SIZE	POPULATION ESTIMATES (000)		
		HOUSEHOLDS	NO. WITH PHONE	% WITH PHO
RENT SUBSIDY RECEIVED	776	1139.090	956.461	84.0
NO RENT SUBSIDY RECEIVED	18592	27108.443	22412.513	82.7
OWNED OR IN PUBLIC HOUSING	39311	56905.359	54835.367	96.4
TOTAL	58679	85152.892	78204.342	91.8

CURRENT POPULATION SURVEY MARCH 1985

RENT SUBSIDY STATUS OF NON-PUBLIC HOUSING	SAMPLE SIZE	POPULATION ESTIMATES (000)		
		HOUSEHOLDS	NO. WITH PHONE	% WITH PHONE
RENT SUBSIDY RECEIVED	755	1093.410	868.369	79.4
NO RENT SUBSIDY RECEIVED	18620	27363.683	22749.564	83.1
OWNED OR IN PUBLIC HOUSING	39899	57970.374	55762.032	96.2
TOTAL	59274	86427.467	79379.965	91.8

CURRENT POPULATION SURVEY MARCH 1984

TYPE OF HOUSEHOLD	SAMPLE SIZE	POPULATION ESTIMATES (000) HOUSEHOLDS	NO. WITH PHONE	% WITH PHONE
FAMILY	42928	61638.608	57396.686	93.1
HOUSEHOLDER LIVING ALONE	13216	19723.635	17613.366	89.3
HOUSEHOLDER LIVING WITH NONRELATIVES	2365	3415.186	2971.298	87.0
GROUP QUARTERS	170	375.463	222.992	59.4
TOTAL	58679	85152.892	78204.342	91.8

CURRENT POPULATION SURVEY MARCH 1985

TYPE OF HOUSEHOLD	SAMPLE SIZE	POPULATION ESTIMATES (000) HOUSEHOLDS	NO. WITH PHONE	% WITH PHONE
FAMILY	43230	62298.088	57964.629	93.0
HOUSEHOLDER LIVING ALONE	13512	20334.772	18226.619	89.6
HOUSEHOLDER LIVING WITH NONRELATIVES	2333	3428.113	2984.854	87.1
GROUP QUARTERS	199	366.493	203.862	55.6
TOTAL	59274	86427.467	79379.965	91.8

CURRENT POPULATION SURVEY MARCH 1984

NO. OF PERSONS NOT RELATED TO HOUSEHOLDER	SAMPLE SIZE	POPULATION ESTIMATES (000)		% WITH PHONE
		HOUSEHOLDS	NO. WITH PHONE	
0	55149	79973.277	73843.882	92.3
1	2659	3837.037	3298.865	86.0
2	504	701.983	622.759	88.7
3 OR MORE	197	265.132	215.844	81.4
GROUP QUARTERS	170	375.463	222.992	59.4
TOTAL	58679	85152.892	78204.342	91.8

CURRENT POPULATION SURVEY MARCH 1985

NO. OF PERSONS NOT RELATED TO HOUSEHOLDER	SAMPLE SIZE	POPULATION ESTIMATES (000)		% WITH PHONE
		HOUSEHOLDS	NO. WITH PHONE	
0	55680	81122.162	74922.124	92.4
1	2717	3953.873	3437.291	86.9
2	467	677.488	584.044	86.2
3 OR MORE	211	307.451	232.643	75.7
GROUP QUARTERS	199	366.493	203.862	55.6
TOTAL	59274	86427.467	79379.965	91.8

CURRENT POPULATION SURVEY MARCH 1984

HOUSEHOLD INCOME PERCENTILE RANKING	SAMPLE SIZE	POPULATION ESTIMATES (000)		
		HOUSEHOLDS	NO. WITH PHONE	% WITH PHONE
0 - 5%	2988	4289.534	3062.979	71.4
5 - 10%	2962	4255.529	3380.089	79.4
10 - 15%	2975	4260.681	3503.028	82.2
15 - 20%	2953	4260.980	3534.987	83.0
20 - 25%	2906	4255.548	3727.228	87.6
25 - 30%	2946	4256.850	3798.794	89.2
30 - 35%	3006	4272.346	3774.892	88.4
35 - 40%	2937	4215.272	3875.889	91.9
40 - 45%	2926	4254.082	3959.151	93.1
45 - 50%	2970	4258.040	4000.686	94.0
50 - 55%	2952	4256.379	4019.795	94.4
55 - 60%	2948	4255.682	4108.314	96.5
60 - 65%	2956	4258.688	4113.912	96.6
65 - 70%	2937	4256.774	4151.278	97.5
70 - 75%	2886	4261.964	4174.319	97.9
75 - 80%	2908	4261.108	4212.956	98.9
80 - 85%	2901	4255.946	4182.088	98.3
85 - 90%	2918	4255.180	4214.090	99.0
90 - 95%	2868	4257.130	4203.596	98.7
95 - 100%	2834	4255.180	4206.272	98.9
TOTAL	58679	85152.892	78204.342	91.8

CURRENT POPULATION SURVEY   MARCH 1985

HOUSEHOLD INCOME PERCENTILE RANKING	SAMPLE SIZE	POPULATION ESTIMATES (000) HOUSEHOLDS	NO. WITH PHONE	% WITH PHONE
0 - 5%	2950	4324.682	3059.044	70.7
5 - 10%	2978	4329.630	3413.833	78.8
10 - 15%	2967	4330.732	3599.050	83.1
15 - 20%	2964	4330.876	3651.950	84.3
20 - 25%	3032	4330.357	3733.280	86.2
25 - 30%	2983	4331.387	3772.489	87.1
30 - 35%	3000	4330.499	3896.841	90.0
35 - 40%	2989	4331.799	3973.084	91.7
40 - 45%	2999	4341.210	4073.022	93.8
45 - 50%	2973	4304.582	4055.416	94.2
50 - 55%	2982	4312.362	4080.253	94.6
55 - 60%	2929	4313.040	4151.624	96.3
60 - 65%	2964	4311.232	4170.082	96.7
65 - 70%	2983	4312.535	4219.927	97.9
70 - 75%	2954	4316.168	4207.267	97.5
75 - 80%	2968	4312.678	4255.667	98.7
80 - 85%	2930	4311.337	4253.442	98.7
85 - 90%	2953	4316.683	4258.922	98.7
90 - 95%	2923	4319.516	4271.346	98.9
95 - 100%	2853	4316.161	4283.426	99.2
TOTAL	59274	86427.467	79379.965	91.8

CURRENT POPULATION SURVEY MARCH 1984

HOUSEHOLD INCOME	SAMPLE SIZE	POPULATION ESTIMATES (000) HOUSEHOLDS	NO. WITH PHONE	% WITH PHONE
LOSS	203	230.592	205.916	89.3
NONE	248	368.973	243.913	66.1
$1 TO $2,499	1312	1927.379	1335.796	69.3
$2,500 TO $4,999	3727	5382.223	4145.710	77.0
$5,000 TO $7,499	4342	6202.296	5074.542	81.8
$7,500 TO $9,999	3801	5505.199	4702.823	85.4
$10,000 TO $12,499	4097	5962.479	5298.403	88.9
$12,500 TO $14,999	3590	5089.947	4525.267	88.9
$15,000 TO $17,499	3808	5517.911	5106.808	92.5
$17,500 TO $19,999	3258	4681.545	4366.340	93.3
$20,000 TO $22,499	3470	5028.772	4756.228	94.6
$22,500 TO $24,999	2906	4126.778	3957.318	95.9
$25,000 TO $27,499	3018	4412.976	4248.022	96.3
$27,500 TO $29,999	2395	3430.247	3344.152	97.5
$30,000 TO $32,499	2497	3662.579	3581.232	97.8
$32,500 TO $34,999	1995	2958.429	2904.882	98.2
$35,000 TO $37,499	1932	2819.287	2784.347	98.8
$37,500 TO $39,999	1544	2233.849	2200.798	98.5
$40,000 TO $44,999	2723	4003.170	3945.150	98.6
$45,000 TO $49,999	1965	2885.991	2855.533	99.0
$50,000 TO $59,999	2533	3724.937	3679.190	98.8
$60,000 TO $74,999	1756	2617.203	2579.777	98.6
$75,000 AND OVER	1559	2382.021	2359.193	99.0
TOTAL	58679	85152.892	78204.342	91.8

CURRENT POPULATION SURVEY MARCH 1985

HOUSEHOLD INCOME	SAMPLE SIZE	POPULATION ESTIMATES (000) HOUSEHOLDS	NO. WITH PHONE	% WITH PHONE
LOSS	166	197.561	190.261	96.3
NONE	212	336.634	207.348	61.6
$1 TO $2,499	1120	1667.436	1133.927	68.0
$2,500 TO $4,999	3251	4744.760	3548.376	74.8
$5,000 TO $7,499	4239	6175.636	5114.765	82.8
$7,500 TO $9,999	3639	5287.720	4485.400	84.8
$10,000 TO $12,499	3855	5547.689	4789.153	86.3
$12,500 TO $14,999	3447	4964.996	4400.779	88.6
$15,000 TO $17,499	3619	5249.125	4804.333	91.5
$17,500 TO $19,999	3138	4559.762	4273.949	93.7
$20,000 TO $22,499	3287	4745.716	4458.214	93.9
$22,500 TO $24,999	2907	4211.015	3986.814	94.7
$25,000 TO $27,499	2978	4383.790	4217.036	96.2
$27,500 TO $29,999	2449	3573.475	3461.284	96.9
$30,000 TO $32,499	2542	3661.775	3573.524	97.6
$32,500 TO $34,999	1989	2924.849	2850.759	97.4
$35,000 TO $37,499	2049	2982.481	2917.124	97.8
$37,500 TO $39,999	1671	2418.492	2394.691	99.0
$40,000 TO $44,999	3046	4451.043	4396.079	98.8
$45,000 TO $49,999	2268	3318.648	3265.535	98.4
$50,000 TO $59,999	3032	4473.684	4423.320	98.9
$60,000 TO $74,999	2238	3301.464	3268.247	99.0
$75,000 AND OVER	2132	3247.715	3219.050	99.1
TOTAL	59274	86427.467	79379.965	91.8

CURRENT POPULATION SURVEY MARCH 1984

RELATIONSHIP AMONG HOUSEHOLD MEMBERS	SAMPLE SIZE	POPULATION ESTIMATES (000)		% WITH PHONE
		HOUSEHOLDS	NO. WITH PHONE	
ALL MEMBERS RELATED TO HOUSEHOLDER	55149	79973.277	73843.882	92.3
SOME MEMBERS RELATED TO HOUSEHOLDER	995	1388.966	1166.170	84.0
NO MEMBERS RELATED TO HOUSEHOLDER	2365	3415.186	2971.298	87.0
GROUP QUARTERS	170	375.463	222.992	59.4
TOTAL	58679	85152.892	78204.342	91.8

CURRENT POPULATION SURVEY MARCH 1985

RELATIONSHIP AMONG HOUSEHOLD MEMBERS	SAMPLE SIZE	POPULATION ESTIMATES (000)		% WITH PHONE
		HOUSEHOLDS	NO. WITH PHONE	
ALL MEMBERS RELATED TO HOUSEHOLDER	55680	81122.162	74922.124	92.4
SOME MEMBERS RELATED TO HOUSEHOLDER	1062	1510.699	1269.124	84.0
NO MEMBERS RELATED TO HOUSEHOLDER	2333	3428.113	2984.854	87.1
GROUP QUARTERS	199	366.493	203.862	55.6
TOTAL	59274	86427.467	79379.965	91.8

CURRENT POPULATION SURVEY MARCH 1984

NO. OF COUPLES IN HOUSEHOLD	SAMPLE SIZE	POPULATION ESTIMATES (000) HOUSEHOLDS	NO. WITH PHONE	% WITH PHONE
0 OR 1	58135	84409.679	77534.211	91.9
2 OR MORE	544	743.213	670.131	90.2
TOTAL	58679	85152.892	78204.342	91.8

CURRENT POPULATION SURVEY MARCH 1985

NO. OF COUPLES IN HOUSEHOLD	SAMPLE SIZE	POPULATION ESTIMATES (000) HOUSEHOLDS	NO. WITH PHONE	% WITH PHONE
0 OR 1	58758	85691.222	78703.960	91.8
2 OR MORE	516	736.245	676.005	91.8
TOTAL	59274	86427.467	79379.965	91.8

CURRENT POPULATION SURVEY MARCH 1984

NUMBER OF HOUSEHOLD MEMBERS 5-18 NEVER MARRIED OTHER THAN HOUSEHOLDER	SAMPLE SIZE	POPULATION ESTIMATES (000) HOUSEHOLDS	NO. WITH PHONE	% WITH PHONE
0	39281	57927.163	53323.266	92.1
1	9210	13183.077	12085.978	91.7
2	6722	9412.689	8730.855	92.8
3	2367	3217.437	2895.863	90.0
4	768	994.300	855.961	86.1
5 OR MORE	331	418.225	312.460	74.7
TOTAL	58679	85152.892	78204.342	91.8

CURRENT POPULATION SURVEY MARCH 1985

NUMBER OF HOUSEHOLD MEMBERS 5-18 NEVER MARRIED OTHER THAN HOUSEHOLDER	SAMPLE SIZE	POPULATION ESTIMATES (000) HOUSEHOLDS	NO. WITH PHONE	% WITH PHONE
0	39980	59193.612	54600.343	92.2
1	9218	13241.147	12076.194	91.2
2	6671	9420.561	8687.919	92.2
3	2391	3268.778	2926.236	89.5
4	709	928.297	773.635	83.3
5 OR MORE	305	375.072	315.639	84.2
TOTAL	59274	86427.467	79379.965	91.8

CURRENT POPULATION SURVEY MARCH 1984

HOUSEHOLDS WITH CHILDREN EATING COMPLETE HOT LUNCH AT SCHOOL	SAMPLE SIZE	POPULATION ESTIMATES (000)		
		HOUSEHOLDS	NO. WITH PHONE	% WITH PHONE
SOME CHILDREN EAT AT SCHOOL	12033	16646.304	14833.540	89.1
NO CHILDREN EAT AT SCHOOL	7365	10579.426	10047.536	95.0
NO CHILDREN IN SCHOOL	39281	57927.163	53323.266	92.1
TOTAL	58679	85152.892	78204.342	91.8

CURRENT POPULATION SURVEY MARCH 1985

HOUSEHOLDS WITH CHILDREN EATING COMPLETE HOT LUNCH AT SCHOOL	SAMPLE SIZE	POPULATION ESTIMATES (000)		
		HOUSEHOLDS	NO. WITH PHONE	% WITH PHONE
SOME CHILDREN EAT AT SCHOOL	12194	17018.497	15064.376	88.5
NO CHILDREN EAT AT SCHOOL	7100	10215.358	9715.245	95.1
NO CHILDREN IN SCHOOL	39980	59193.612	54600.343	92.2
TOTAL	59274	86427.467	79379.965	91.8

CURRENT POPULATION SURVEY   MARCH 1984

NO. OF PERSONS IN HOUSEHOLD COVERED BY FOOD STAMPS	SAMPLE SIZE	POPULATION ESTIMATES (000) HOUSEHOLDS	NO. WITH PHONE	% WITH PHONE
0	53698	78034.056	73293.604	93.9
1	1394	2014.734	1453.948	72.2
2	1046	1501.188	1064.551	70.9
3	914	1305.014	909.060	69.7
4	730	1051.221	639.935	60.9
5	448	615.628	423.443	68.8
6	240	344.489	235.651	68.4
7 OR MORE	209	286.563	184.151	64.3
TOTAL	58679	85152.892	78204.342	91.8

CURRENT POPULATION SURVEY   MARCH 1985

NO. OF PERSONS IN HOUSEHOLD COVERED BY FOOD STAMPS	SAMPLE SIZE	POPULATION ESTIMATES (000) HOUSEHOLDS	NO. WITH PHONE	% WITH PHONE
0	54396	79385.628	74610.454	94.0
1	1353	1996.844	1446.922	72.5
2	1002	1463.107	1032.115	70.5
3	942	1374.735	873.775	63.6
4	751	1053.563	663.721	63.0
5	418	588.022	396.115	67.4
6	224	317.596	204.664	64.4
7 OR MORE	188	247.972	152.198	61.4
TOTAL	59274	86427.467	79379.965	91.8

CURRENT POPULATION SURVEY MARCH 1984

NUMBER OF MONTHS FOOD STAMPS RECEIVED	SAMPLE SIZE	POPULATION ESTIMATES (000) HOUSEHOLDS	NO. WITH PHONE	% WITH PHONE
0	53698	78034.056	73293.604	93.9
1	192	257.547	192.132	74.6
2	271	370.073	263.575	71.2
3	332	460.701	321.598	69.8
4	228	326.943	236.325	72.3
5	155	222.362	157.178	70.7
6	305	412.881	293.349	71.0
7-8	200	272.979	180.652	66.2
9-11	253	383.763	257.258	67.0
12	3045	4411.589	3008.671	68.2
TOTAL	58679	85152.892	78204.342	91.8

CURRENT POPULATION SURVEY MARCH 1985

NUMBER OF MONTHS FOOD STAMPS RECEIVED	SAMPLE SIZE	POPULATION ESTIMATES (000) HOUSEHOLDS	NO. WITH PHONE	% WITH PHONE
0	54396	79385.628	74610.454	94.0
1	157	226.184	151.479	67.0
2	283	393.774	296.093	75.2
3	307	424.205	298.270	70.3
4	207	268.483	179.320	66.8
5	148	205.988	123.932	60.2
6	274	398.963	273.306	68.5
7-8	222	342.364	234.801	68.6
9-11	261	374.155	228.541	61.1
12	3019	4407.722	2983.669	67.7
TOTAL	59274	86427.467	79379.965	91.8

CURRENT POPULATION SURVEY MARCH 1984

$ VALUE OF FOOD STAMPS RECEIVED	SAMPLE SIZE	POPULATION ESTIMATES (000) HOUSEHOLDS	NO. WITH PHONE	% WITH PHONE
0	53698	78034.056	73293.604	93.9
1 - 100	298	447.634	336.744	75.2
101 - 200	635	878.015	712.744	81.2
201 - 300	380	540.455	381.439	70.6
301 - 400	295	418.427	288.422	68.9
401 - 500	291	408.611	311.948	76.3
501 - 600	270	413.133	287.587	69.6
601 - 800	385	534.067	366.924	68.7
801 - 1000	462	657.379	424.235	64.5
1001 - 1300	441	609.632	421.559	69.1
1301 - 1600	358	501.624	347.357	69.2
1601 - 2000	416	596.933	364.960	61.1
2001 - 2400	317	481.812	304.323	63.2
2401 - 3000	220	337.584	192.738	57.1
3001 - 6000	213	293.527	169.757	57.8
TOTAL	58679	85152.892	78204.342	91.8

CURRENT POPULATION SURVEY MARCH 1985

$ VALUE OF FOOD STAMPS RECEIVED	SAMPLE SIZE	POPULATION ESTIMATES (000) HOUSEHOLDS	NO. WITH PHONE	% WITH PHONE
0	54396	79385.628	74610.454	94.0
1 - 100	279	424.598	304.386	71.7
101 - 200	540	759.311	618.333	81.4
201 - 300	395	572.542	418.990	73.2
301 - 400	299	426.627	322.842	75.7
401 - 500	286	420.062	294.001	70.0
501 - 600	246	347.604	236.747	68.1
601 - 800	368	538.734	373.211	69.3
801 - 1000	425	611.478	381.031	62.3
1001 - 1300	424	603.675	405.595	67.2
1301 - 1600	371	530.832	366.420	69.0
1601 - 2000	480	704.290	425.392	60.4
2001 - 2400	293	423.265	249.593	59.0
2401 - 3000	251	376.621	214.643	57.0
3001 - 6000	221	302.198	158.327	52.4
TOTAL	59274	86427.467	79379.965	91.8

CURRENT POPULATION SURVEY MARCH 1984

NUMBER OF CHILDREN WHO EAT COMPLETE LUNCH AT SCHOOL	SAMPLE SIZE	POPULATION ESTIMATES (000) HOUSEHOLDS	NO. WITH PHONE	% WITH PHONE
0	46646	68506.588	63370.802	92.5
1	6153	8642.385	7811.539	90.4
2	3897	5393.535	4860.810	90.1
3	1344	1796.621	1538.780	85.6
4	446	567.605	452.890	79.8
5 OR MORE	193	246.158	169.521	68.9
TOTAL	58679	85152.892	78204.342	91.8

CURRENT POPULATION SURVEY MARCH 1985

NUMBER OF CHILDREN WHO EAT COMPLETE LUNCH AT SCHOOL	SAMPLE SIZE	POPULATION ESTIMATES (000) HOUSEHOLDS	NO. WITH PHONE	% WITH PHONE
0	47080	69408.970	64315.588	92.7
1	6290	8917.379	7954.672	89.2
2	3957	5507.310	4939.544	89.7
3	1344	1815.078	1544.131	85.1
4	424	557.314	445.075	79.9
5 OR MORE	179	221.416	180.955	81.7
TOTAL	59274	86427.467	79379.965	91.8

CURRENT POPULATION SURVEY MARCH 1984

HOUSEHOLDS WITH CHILDREN GETTING SUBSIDIZED LUNCH AT SCHOOL	SAMPLE SIZE	POPULATION ESTIMATES (000)		% WITH PHONE
		HOUSEHOLDS	NO. WITH PHONE	
SOME CHILDREN GET SUBSIDIZED LUNCH	4215	5698.264	4260.875	74.8
NO CHILDREN GET SUBSIDIZED LUNCH	7818	10948.039	10572.665	96.6
NO CHILDREN EAT AT SCHOOL	46646	68506.588	63370.802	92.5
TOTAL	58679	85152.892	78204.342	91.8

CURRENT POPULATION SURVEY MARCH 1985

HOUSEHOLDS WITH CHILDREN GETTING SUBSIDIZED LUNCH AT SCHOOL	SAMPLE SIZE	POPULATION ESTIMATES (000)		% WITH PHONE
		HOUSEHOLDS	NO. WITH PHONE	
SOME CHILDREN GET SUBSIDIZED LUNCH	4162	5689.916	4162.009	73.1
NO CHILDREN GET SUBSIDIZED LUNCH	8032	11328.581	10902.368	96.2
NO CHILDREN EAT AT SCHOOL	47080	69408.970	64315.588	92.7
TOTAL	59274	86427.467	79379.965	91.8

CURRENT POPULATION SURVEY MARCH 1984

NUMBER OF CHILDREN WHO GET SUBSIDIZED LUNCH AT SCHOOL	SAMPLE SIZE	POPULATION ESTIMATES (000)		% WITH PHONE
		HOUSEHOLDS	NO. WITH PHONE	
0	54464	79454.628	73943.467	93.1
1	1867	2567.356	1940.833	75.6
2	1301	1748.232	1330.785	76.1
3	629	825.047	608.511	73.8
4	270	355.579	249.881	70.3
5 OR MORE	148	202.050	130.865	64.8
TOTAL	58679	85152.892	78204.342	91.8

CURRENT POPULATION SURVEY MARCH 1985

NUMBER OF CHILDREN WHO GET SUBSIDIZED LUNCH AT SCHOOL	SAMPLE SIZE	POPULATION ESTIMATES (000)		% WITH PHONE
		HOUSEHOLDS	NO. WITH PHONE	
0	55112	80737.551	75217.956	93.2
1	1885	2607.540	1903.181	73.0
2	1260	1732.992	1290.079	74.4
3	634	849.445	607.946	71.6
4	261	342.913	241.188	70.3
5 OR MORE	122	157.026	119.614	76.2
TOTAL	59274	86427.467	79379.965	91.8

CURRENT POPULATION SURVEY MARCH 1984

RECEIPT OF FOOD STAMPS	SAMPLE SIZE	POPULATION ESTIMATES (000) HOUSEHOLDS	NO. WITH PHONE	% WITH PHONE
FOOD STAMPS RECEIVED	4981	7118.836	4910.737	69.0
FOOD STAMPS NOT RECEIVED	53698	78034.056	73293.604	93.9
TOTAL	58679	85152.892	78204.342	91.8

CURRENT POPULATION SURVEY MARCH 1985

RECEIPT OF FOOD STAMPS	SAMPLE SIZE	POPULATION ESTIMATES (000) HOUSEHOLDS	NO. WITH PHONE	% WITH PHONE
FOOD STAMPS RECEIVED	4878	7041.839	4769.511	67.7
FOOD STAMPS NOT RECEIVED	54396	79385.628	74610.454	94.0
TOTAL	59274	86427.467	79379.965	91.8

CURRENT POPULATION SURVEY MARCH 1984

RECEIPT OF ENERGY ASSISTANCE	SAMPLE SIZE	POPULATION ESTIMATES (000) HOUSEHOLDS	NO. WITH PHONE	% WITH PHONE
ENERGY ASSISTANCE RECEIVED	3200	4356.438	3334.782	76.5
ENERGY ASSISTANCE NOT RECEIVED	55479	80796.454	74869.560	92.7
TOTAL	58679	85152.892	78204.342	91.8

CURRENT POPULATION SURVEY MARCH 1985

RECEIPT OF ENERGY ASSISTANCE	SAMPLE SIZE	POPULATION ESTIMATES (000) HOUSEHOLDS	NO. WITH PHONE	% WITH PHONE
ENERGY ASSISTANCE RECEIVED	3155	4340.876	3319.456	76.5
ENERGY ASSISTANCE NOT RECEIVED	56119	82086.590	76060.509	92.7
TOTAL	59274	86427.467	79379.965	91.8

CURRENT POPULATION SURVEY MARCH 1984

$ VALUE OF ENERGY ASSISTANCE RECEIVED	SAMPLE SIZE	POPULATION ESTIMATES (000) HOUSEHOLDS	NO. WITH PHONE	% WITH PHONE
0	55479	80796.454	74869.560	92.7
1 - 50	186	277.895	216.746	78.0
51 - 100	431	652.582	487.884	74.8
101 - 150	622	852.456	656.612	77.0
151 - 200	614	867.327	639.486	73.7
201 - 250	380	571.773	448.062	78.4
251 - 300	296	387.732	304.997	78.7
301 - 400	328	380.942	288.341	75.7
401 - 2000	343	365.730	292.655	80.0
TOTAL	58679	85152.892	78204.342	91.8

CURRENT POPULATION SURVEY MARCH 1985

$ VALUE OF ENERGY ASSISTANCE RECEIVED	SAMPLE SIZE	POPULATION ESTIMATES (000) HOUSEHOLDS	NO. WITH PHONE	% WITH PHONE
0	56119	82086.590	76060.509	92.7
1 - 50	173	237.663	179.677	75.6
51 - 100	360	560.031	436.964	78.0
101 - 150	522	755.371	559.835	74.1
151 - 200	645	927.705	692.061	74.6
201 - 250	344	482.342	356.054	73.8
251 - 300	363	517.627	420.279	81.2
301 - 400	389	498.459	391.370	78.5
401 - 2000	359	361.678	283.217	78.3
TOTAL	59274	86427.467	79379.765	91.9

Mr. **Fowler**. Yes, sir, I will follow up on that with you.

Mr. **Rogers**. Let me speak to you a moment about averaging. Most rural telephone co-ops, I am told, believe that deaveraging of rates would mean higher rates in those rural areas, do you agree with that?

Mr. **Fowler**. Generally, that would be the case, yes, sir.

Mr. **Rogers**. And I am told that you support averaging.

Mr. **Fowler**. I do not see any reason in the near term, or perhaps the long term, why the Commission will have to look at that, but certainly not as long as I am Chairman. I think that we should continue to average.

Mr. **Rogers**. There is increasing pressure from the regional holding companies to require the local companies, or households to pay the local loop costs, and then recently there was testimony before the Energy and Commerce Committee, by David Schmidt, who is manager of the Heart of Iowa Telephone Co-op, that this would lead to a gradual erosion of averaging, since the loop costs are so much higher in rural areas.

Do you have a comment that you would like to make on that?

Mr. **Fowler**. The same comment I made a moment ago, sir.

We have what we call a pooling arrangement now, which in effect averages the costs of these loops across the country, so that everyone pays an average. No one pays the true cost of the local loop, except where the average happens to coincide with the true costs of a particular locality. That is a form of subsidy, which is built into our regulatory structure, and I do not see us changing that any time soon. And it is the same answer as before.

Mr. **Rogers**. Mr. Schmidt also said that if participation in common line recovery of local loop costs are made voluntary it would create pressure on AT&T to deaverage toll rates. Do you agree with that?

Mr. **Fowler**. It could. Although the fact that you depool does not necessarily mean that AT&T would deaverage its rates. It could still internally average the rates it charges to subscribers. But it could also elect at some point not to average.

Mr. **Rogers**. Well, averaging, as you know, and said, is extremely important, particularly in rural areas, and I hope it stays in your mind as things progress.

Mr. **Fowler**. Yes, sir. Thank you very much for the—

UNIFORM SYSTEM OF ACCOUNTS

Mr. **Rogers**. The uniform system of accounts, generally, what is the purpose of that?

Mr. **Fowler**. The purpose is, in layman's terms, to get a better handle on which costs go into which account. For equipment, that is a telephone plant employed by a given common carrier, so that we can then, with more accuracy, determine what the proper rates would be for services that use that plant.

And this has always been a very difficult issue, particularly when the same piece of equipment is used to provide different services. We get into how to allocate common plant costs. We call this joint and common cost accounting. This is a separate docket, which the Commission is preparing right now. At the end of this year we hope to be able to bring that docket in and have a much better handle on how we charge what to what, for what service work the common plant is being used to provide those services. But USOA is something that we started, believe it or not, Mr. Rogers, back in 1978. We discarded or scrapped one approach, after two or three years, realizing that it would never work.

We think we have got the answer now, and we will be bringing that to fruition in the near term. Then, as we said in our testimony, in early 1987, we will have the computer capability, software and hardware, to administer it in a very efficient way, using state-of-the-art ADP.

Mr. Rogers. Some of the co-ops are complaining that that is going to place very heavy paperwork requirements on them, and costly additions to their present equipment, some even saying that the computer software costs will be $50,000 up to $100,000, and for a small co-op that is a fairly heavy load.

Are there steps that we can take to minimize the impact on the small companies, of USOA?

Mr. Fowler Yes, indeed, there are, sir. And I could not agree more with what is implicit in your question, that we ought to do that, and we will. We will make sure that we visit the minimum regulatory burden on those small, typically rural telephone companies, particularly the co-ops, to make sure that we do not necessarily create expenses that they cannot handle.

REGULATORY FLEXIBILITY ACT AND TELEPHNE CO-OPS

Mr. Rogers. In 1980 the Congress passed the Regulatory Flexibility Act, intending to reduce regulatory burdens on small businesses, by requiring agencies to at least consider the impact of new regulations on small business.

The FCC has refused to classify rural telephone co-ops as small businesses for the purpose of that Act. I understand that the statute defines a small business as a small organization, a nonprofit, that is nondominant in its field of operations, or a small business as defined in the Small Business Act, so far you have said that telephone co-ops are dominant in their field of operation and so are not classified as small business under the regulatory Flexibility Act.

What is the FCC's position beyond that, if you can so state, regarding treating co-ops as small businesses for the purposes of that regulatory flexibility?

Mr. Fowler. Well, you are quite right. We have historically viewed them as dominant, because they do have what we call market power. I mean, they are, in layman's terms, the only ball game in town, so to speak, for providing telephone service. And that is the reason we have historically not classified them as nondominant.

I am not sure whether a co-op is different conceptually than a non co-op, or small small telephone company. I do not see why it would be. I personally would have some misgivings if we were to now say it does not have market power, that a co-op does not have market power.

At the same time, I have another question in my mind. I am thinking out loud here, which is kind of uncomfortable, but a co-op might be less prone to engage in anticompetitive practices since it is owned by its members, the people, the subscribers, which it serves.

Maybe, Bert, you would like to shed some light on this, if you would like to comment on this, because I want to give you as good an answer as we are capable. This is Mr. Haprin, Mr. Rogers.

Mr. Halprin. How do you do, sir?

The only points that I would add to what the Chairman has said is, first of all, because of the way that the FCC regulates telephone companies, a finding of nondominance would have a lot of other impacts, including the fact that we would then not be able to apply our normal type oversights to them.

While for purposes of the Regulatory Flexibility Act, we do not classify them as nondominant in every proceeding, whether it be uniform system of accounts, or something else, we do take special account of the very, very different needs, and different abilities of a small telephone company, that is not making hundreds of millions of dollars a year, to provide information to us. Across the board, we reflect that difference in a lightened burden on the smaller rural telephone companies.

Mr. Rogers. Well, could you not rule that they are small businesses, only for the purposes of the Regulatory Flexibility Act, and avoid the other bad side effects?

Mr. Halprin. Well, sir, they have been found, after a proceeding in the Commission held, the competitive carrier rulemaking, to be dominate carriers. In other words, there is no market base force there. that could prevent them from raising access charges, or some other charge. I am surely not implying that they have a desire to do so.

But, in the same way that you and many other people express great concern about the rates that could result in those rural areas, we have up until now found them to be dominant. We recently had a petition filed with us, that we placed out for comment on an expedited cycle, and are always prepared to get input, to see if there have been changes in the world that require a more flexible, more realistic, more modern approach on the part of the Commission.

Mr. Rogers. Well, the question for the co-ops should really be whether not whether they are dominant, but rather, since they are small, can they shoulder the responsibility, the regulatory burden as much as much larger companies can?

Mr. Halprin. Obviously they cannot, sir. As I said, I can absolutely guarantee you that this recognition is reflected both in the fact that we have different tiers of regulatory obligations that apply to the major telephone companies and to the rurals. In every major action we take, we consider the special needs of those companies.

Mr. Rogers. So are you—I think you are telling me that under the Act they must be found to be not dominant, and as—long as that is true your hands are tied, is that it?

Mr. Halprin. That has been the analysis we have made of it, yes, sir.

Mr. Rogers. So you feel like you are bound by that interpretation of the law?

Mr. Halprin. Yes, sir.

Mr. ROGERS. Mr. O'Brien could not be here this morning, Mr. Chairman, he asked that I propound two questions on his behalf, if that is permissible.

Mr. SMITH. Sure, without objection.

AUCTIONS

Mr. ROGERS. Mr. Chairman, I am reading questions proposed by Mr. Dibrien. I understand from your testimony that the FCC has proposed auctioning off part of the spectrum.

What precisely is it that you proposed to auction?

Mr. FOWLER. Well, we were looking at a program which would take a spectrum that is used for nonbroadcast purposes, for example, satellites. They have up link and down link frequencies or channels, and before someone could launch a satellite they have got to have the spectrum. We would simply require people who were filing for a particular slot for a satellite, let us say, to show us that they are technically qualified to provide the legal information that the Act requires, and any financial information that we might require.

After we find them to be basically qualified, instead of having long, comparative hearings that could stretch on for three, four or five years, with the lawyers litigating everything to death so that the service does not get out there we would instead simply auction if off. We would auction, provided we found all applicants competent to provide the service. To be qualified, basically, technically, financially and legally.

So it is a question of who wants to bid the most for the spectrum. We believe that that way we can best assure ourselves it would be put to the highest and best use. That money would go in the public Treasury, instead of simply being given away.

Mr. ROGERS. How much do people currently pay for the spectrum, and how much do you estimate could be raised if you were to auction?

Mr. FOWLER. They do not pay anything right now. In fact, they do not even pay a fee to process their applications, which is something that we are trying to work on changing right now.

Mr. ROGERS. How much do you expect could be raised?

Mr. FOWLER. Well, there are different estimates. I have seen, I believe, and this is again just a guess, that we could have raised as much as a billion dollars when we gave away the two franchises in each market for cellular telephones in cars. We just gave it away. So you have some very large companies, Fortune 500 companies, which wound up with some very valuable franchises.

We could, I think, have avoided the time it took us to go through these long, comparative hearings and lotteries, if we had used this system, and put that money in the Treasury.

We believe that this other spectrum, virgin spectrum that is out there yet to be allocated, could raise on the order of a billion dollars, or more, depending on how valuable it gets in the future.

Mr. ROGERS. But you do not propose to go back and reallocate those that has already been, as you say?

Mr. FOWLER. No, sir. Any licensee that is there now, that is the way it is. I would like to point out that any licenses that are given out through the auction process would still be subject to all the usual terms and conditions, and all the rules and regulations, as with any other incumbent, or existing licensee.

Mr. ROGERS. What is the status of that proposal now?

Mr. FOWLER. We made a proposal to the Congress last fall asking for authority. So far we have not had anything happen, although there are some people, particularly on the Budget Committees, oddly enough, who have expressed a great deal of interest in our proposal. I think it could work. I do not see why we should give this stuff away to Fortune 500 companies.

We can get the service out faster, we can save Commission resources, and we could put a lot of money in the public Treasury, which would help you all to grapple with some very difficult problems that you have to deal with.

MUST CARRY RULES

Mr. ROGERS. And finally, in reading Mr. O'Brien's last question, Chairman Fowler, over the past several months I have been contacted by my local broadcasters, and by my local cable operators, concerning the must carry controversy. I was pleased to learn that representatives of these two industries have reached an agreement that will be submitted to the FCC in the near future. A compromise beteen these two groups is a positive step forward, and I believe it should be encouraged. Can you provide me with your thoughts on how the FCC can act to keep this compromise in place?

Mr. FOWLER. Yes. If we were to find that this agreement served the overall public interest, Mr. Rogers, I think that the Commission could well conclude that we ought to implant that agreement into our rules.

We are operating under one very major constraint, that is, we have a court case, Quincy, which told us that our former must carry rules were unconstitutional on First Amendment grounds. This case gave us a very narrow margin in which to resurrect possible new must carry rules.

This effort by the industry is just an effort to propose to the Commission a set of rules, which presumably would pass Constitutional muster. We are going to have to compile a record. We have told the parties to come in and file this agreement with us. We will then ask for public comment. And then we will make a public interest determination.

I think it is important to point out that just because there is an agreement among parties, that is, the cable industry and the broadcasters, does not necessarily mean that it, per se, ipso facto, is in the public interest. That is what we will have to look at. Does it serve primarily the interest of the people, or does it simply serve the private interest, We will want to get the answer to that, through the comments, and look at it very carefully.

Mr. ROGERS. Well, Mr. O'Brien wanted me to say to you that he hopes that the FCC will take no action which will endanger the compromise.

Mr. FOWLER. Yes, sir.

Mr. **Rogers**. Mr. Chairman Fowler, it is good to see you again, and I enjoyed the visit with you.

Mr. **Fowler**. Thank you, sir.

Mr. **Smith**. Does this must carry proposal affect public broadcast?

Mr. **Fowler**. Yes, it does, in the sense that under the existing agreement there is no provision specifically, by name, that recognizes the public broadcasting stations as being a type of carriage. If they meet certain criteria, they could be carried, but there is a concern among some of the public broadcast stations that they would not meet the criteria in many cases, and therefore would not be carried on the system.

Mr. **Smith**. What are the differences? Would you consider public broadcasting versus nonpublic broadcasting?

Mr. **Fowler**. From a consumer's standpoint, there is none. If they find public broadcasting fare to be desirable to watch, presumably they would like to be able to have it on their system. The same is true of any commercial station.

Mr. **Smith**. But the proposal would not require that?

Mr. **Fowler**. No, it does not name PBS stations as a generic category entitled to carriage on a cable system.

Mr. **Smith**. Does that mean that public television would be treated differently than others?

Mr. **Fowler**. What it really means is that they will be treated the same as everybody else.

Mr. **Smith**. OK. Do you think there is a difference between the two?

Mr. **Fowler**. Well, there is definitely. I mean, speaking as one viewer, there is a difference in public broadcasting, and——

Mr. **Smith**. Do you think there is a difference? There should be differences with regard to the must carry proposal.

Mr. **Fowler**. Well, I would not want to say that, Chairman Smith. I would like to reserve my decision until after I have a chance to look at the record.

Mr. **Smith**. Has that been raised in these proceedings?

Mr. **Fowler**. I am not sure. I have not looked at the record, as it is presently constituted. But I am sure it will be raised, almost certainly as a result of this announced compromise, by the PBS stations and others. Yes, sir, we will look at that.

Mr. **Smith**. I see.

DIRECT BROADCAST SATELLITES

With regard to the dishes, you told us before that they are going to have a small dish, that would probably sell for $300 or $400, instead of $3,000. Is that imminent, or not?

Mr. **Fowler**. Are you talking about direct broadcast satellites, or are we back to the backyard dish issue?

Mr. **Smith**. Yes, we are back to the backyard dish. I had understood from your previous testimony that they are developing a small dish I have heard that they expect to be able to market dishes you could put in your attic, and expect to be able to sell for a fraction of what these big ones cost, is that correct?

Mr. FOWLER. I believe that had to do with direct broadcast satellites.

Mr. SMITH. All right.

Mr. FOWLER. Which is a different service than what is at issue right now, and the questions that Mr. Rogers raised, although conceptually it is the same thing. It is a broadcaster programming from a satellite to the ground, using an earth station. Direct broadcast satellite programming comes from a satellite that uses a far higher power, which enables the dish to be concommitantly smaller, and therefore less expensive.

Mr. SMITH. I see.

Mr. FOWLER. The fare that is pulled down now, which is the center of this controversy, comes from satellites with a much lower power, requiring a much wider dish, and a more expensive dish. But to answer your question, I did make some comments on that. So far, direct broadcast satellite operations have not taken place, much to our disappointment.

Mr. SMITH. When do you expect them?

Mr. FOWLER. It is very difficult to tell. We have authorized several. Then some looked at the market and put their feet, their toe, at least, in the water. They did not like what they felt, and abandoned their plans to go forward.

Whether direct broadcast satellite technology will become operational is a question that is still out. There are several applicants that profess to be moving forward. I can think of one in particular that says they will be operational, that they are building their satellite now. It is Mr. Hubbard out of Minneapolis, and he will have a continental system of providing several channels of television service. He is pressing forward.

So I think it is too soon to tell whether or not we will have it. It looks as though Mr. Hubbard intends to do it.

Mr. SMITH. If that does occur, will people be able to get that service in lieu of what they are getting with the big dish?

Mr. FOWLER. They would be able to. Yes, sir. Although, initially, I think it would provide only three or four channels, whereas some of those birds that are up there now have several, or a good number of different program services on the same bird.

Mr. SMITH. Well, how do they keep people from buying one of these dishes. Do they have a scrambler in that case?

Mr. FOWLER. They could, or they could offer it unscrambled if they wanted to present it on an advertiser supported basis. Or they could have channels that are advertiser supported and some that are paid, which I think is what Mr. Hubbard proposes to do.

Mr. SMITH. Well, what would keep somebody from buying the right kind of a dish and putting it in his attic, and getting the service for nothing?

Mr. FOWLER. Nothing.

Mr. SMITH. If it is advertised he would——

Mr. FOWLER. He would intend it to be that way.

Mr. SMITH. I see.

Mr. FOWLER. Yes, sir.

SATELLITE SIGNAL SCRAMBLING

Mr. Smith. Well, apparently some of the problem is that these people have been told that it costs you $15 for cable, that this is $3,000, and in 20 months you will have this dish paid for. Then it is free from then on. They were sold the idea they were getting a bargain, but never told that there might be scrambling in a few months.

That is what I understand. I think that has been a common sales technique. So a lot of these people were sold something that they did not understand what they were buying.

Mr. Fowler. This is a problem that from time immemorial, has plagued mankind. We have all those cases that we remember from law school, of a person that buys a house, and then they put a poultry processing plant next door. It was not disclosed, even though the agent knew, or had reason to know, that those plans were going to be effected.

Those kinds of actions have remedies in court. It is not a very good answer, but there are a lot of hucksters out there, to be sure.

Mr. Smith. The remedy is you sue the guy, and get a judgment that you cannot collect. I am afraid that is what the remedy is in many of these cases.

Mr. Fowler. But I think the answer is greater consumer awareness, and there are a number of entities that are making consumers more aware.

Mr. Smith. There is almost no consumer awareness, as far as I can discover.

Mr. Fowler. I know that a lot of the programmers are making it clear, and have for some period of time, that they intend to begin to scramble on a certain date, and gave a year or so notice. To be sure, there are a lot of people who did not get the word.

Mr. Smith. I would have thought that those who intended to scramble and felt they were being hurt by this should have devoted a little program time to informing people that this would occur so that people that were about to buy a dish would be aware of what the facts were.

Mr. Fowler. I believe that some of them did, Chairman Smith, and I would imagine now that most people who are dish users, witness the mail that people on the Hill are getting, are aware that scrambling has occurred, and/or is about to occur.

Mr. Smith. I am talking about people who have not yet bought a dish.

Mr. Fowler. I see.

Mr. Smith. And before they bought one, I think a lot of them did not know.

Mr. Fowler. Yes, sir.

Mr. Smith. And I do not think there was much done to inform them.

UHF–VHF SWAPS

What about this UHF–VHF swap proposal? What is the status of that?

Mr. Fowler. It is still pending before the Agency. It was proposed by Commissioner Quello to provide flexibility to public broad-

CURRENT POPULATION SURVEY MARCH 1984

HOUSEHOLD'S ABILITY TO PAY HEATING FUEL BILL	SAMPLE SIZE	POPULATION ESTIMATES (000)		% WITH PHONE
		HOUSEHOLDS	NO. WITH PHONE	
NO HEAT AND UNABLE TO PAY	891	1359.367	859.722	63.2
HAS HEAT AND/OR IS ABLE TO PAY	57788	83793.525	77344.620	92.3
TOTAL	58679	85152.892	78204.342	91.8

CURRENT POPULATION SURVEY MARCH 1985

HOUSEHOLD'S ABILITY TO PAY HEATING FUEL BILL	SAMPLE SIZE	POPULATION ESTIMATES (000)		% WITH PHONE
		HOUSEHOLDS	NO. WITH PHONE	
NO HEAT AND UNABLE TO PAY	896	1308.324	837.004	64.0
HAS HEAT AND/OR IS ABLE TO PAY	58378	85119.143	78542.961	92.3
TOTAL	59274	86427.467	79379.965	91.8

CURRENT POPULATION SURVEY MARCH 1984

TYPE OF FUEL USED	SAMPLE SIZE	POPULATION ESTIMATES (000)		% WITH PHONE
		HOUSEHOLDS	NO. WITH PHONE	
GAS FROM UNDERGROUND PIPES	1631	2327.545	1824.603	78.4
GAS - BOTTLED, TANK, OR LP	241	285.160	210.318	73.8
ELECTRICITY	379	537.761	389.510	72.4
FUEL OIL, KEROSENE, ETC.	685	882.882	698.825	79.2
WOOD, COAL, COKE, OTHER, OR NONE	267	328.888	217.324	66.1
UNKNOWN	55476	80790.656	74863.762	92.7
TOTAL	58679	85152.892	78204.342	91.8

CURRENT POPULATION SURVEY MARCH 1985

TYPE OF FUEL USED	SAMPLE SIZE	POPULATION ESTIMATES (000)		% WITH PHONE
		HOUSEHOLDS	NO. WITH PHONE	
GAS FROM UNDERGROUND PIPES	1575	2275.189	1764.239	77.5
GAS - BOTTLED, TANK, OR LP	285	378.203	270.750	71.6
ELECTRICITY	405	579.165	423.642	73.1
FUEL OIL, KEROSENE, ETC.	635	789.339	642.632	81.4
WOOD, COAL, COKE, OTHER, OR NONE	257	325.177	222.278	68.4
UNKNOWN	56117	82080.395	76056.424	92.7
TOTAL	59274	86427.467	79379.965	91.8

casters, the idea being that if you have a public broadcast station, let us say operating on Channel 5, and you have got a commercial broadcaster who is operating on Channel 17, if the commercial broadcaster were willing to pay a certain amount of money, then you could swap channels. The idea would be that people would still be able to get PBS programming, but they would also get a significant amount of funding.

One agreement that was struck involved a UHF broadcaster in Tampa/St. Petersburg and the local educational station. It basically was a deal, which when you worked it out was about a $40 million deal in terms of equipment and cash that would be provided. The general manager and the Board of Directors said this is something we would like to do, because with $25 million in cash we can put that in the bank, have it draw interest, and we can literally live off the interest, and have a very handsome annual endowment to really serve our community.

By being on this UHF channel, which essentially covers the same area as our VHF did, we think we are better off, and we are even more certain we are better off, because down the road this is all being cabled. Each channel is equal, once it is cabled. So let us take the money now, and let us use it for a purpose.

That was the idea, and there was a lot of opposition to that issue, as you know, Chairman Smith. So, for the time being the Commission has not acted. We are still studying the record.

Mr. SMITH. Who is the opposition?

Mr. FOWLER. Many of the public broadcast stations themselves, citizens groups, commercial broadcasters who have VHF stations.

Mr. SMITH. What is the basis of their opposition?

Mr. FOWLER. Well, the commercial broadcasters do not like the idea of another commercial broadcaster moving from the UHF band to the VHF band, because they would be more effective competitors in a given market.

Some of the PBS people do not like it because they fear that there will be a diminution in the technical grade of service that PBS provides. We are looking at all of those objections.

Mr. SMITH. I asked these questions because we have attracted amendments to our bill that do not deal directly with appropriations. One of them last year was INTELSAT.

Mr. FOWLER. Yes, sir.

INTELSAT

Mr. SMITH. How are you proceeding on INTELSAT?

Mr. FOWLER. Well, it is still early in the game, Chairman Smith, because as you may know, we have authorized several applicants to operate alternative satellites, contingent upon going through Article 14(d) coordination under the INTELSAT Agreement, and contingent upon a certification by the State Department that we have met all of the requirements under Article 14(d). We would then grant the authority to construct and would grant licenses.

These entities have to have operating agreements with foreign countries, to bring the signals down, and that, apparently, is a very, very slow process right now. There are a lot of countries that do not display any sign, at least up to now, of wanting to reach those agreements. It has always been very difficult to try to induce competition in the international market, where you have got State-owned monopolies on the other end.

But there are signs that we are making progress, and I suspect the same will happen here. It just takes time for the log-jam to start to break.

Mr. **Smith**. Do you mean that the foreign country will decide which company is permitted to bring the signal in?

Mr. **Fowler**. Yes, one foreign country might strike an arrangement with one or more of these applicants, and then they are able to have the operating agreement. They have got to have that before we would permit them to construct, and ultimately license them.

Mr. **Smith**. One of the problems was that INTELSAT said "If you are going to grant this permission to somebody, we want the right to get into the same business, too."

Are they?

Mr. **Fowler**. Yes, indeed. They have. Just the fact that there is a possibility that people might be entering the private line segment of the market that INTELSAT serves, resulted in INTELSAT spewing out, month after month, all of these new services, and new rates, which it seems to me indicate that they are very concerned about potential competition.

We view that whole process, the fact that they are coming out with all of these new services, as being very, very beneficial for users. So I think that is all to the good. I believe that if some people actually become operators, we will see even more competitive responses from INTELSAT.

Mr. **Smith**. Mr. Dwyer?

UHF–VHF SWAPS

Mr. **Dwyer**. Mr. Fowler, going back to this VHF–UHF, did you people seek public comment on these swaps?

Mr. **Fowler**. Yes, sir.

Mr. **Dwyer**. How long ago was that?

Mr. **Fowler**. How long, Bill?

Mr. **Johnson**. About a year ago, I guess.

Mr. **Dwyer**. What was the majority opinion?

Mr. **Fowler**. I would say that the majority opinion, and I have not even looked at the record, but I have read press accounts, would be that they were saying no. The commercial broadcasters were saying we do not like it, because they want to be, frankly, protected from a new competitor, who is more effective on a VHF channel. A lot of the public broadcast stations also did not like it. There were some that did like it.

The station in Tampa argued very strongly. They said our Board of Directors has looked at this. We have unanimously, or almost unanimously, approved this. We think this is good for our Tampa market. We ought to be permitted to go forward.

Mr. **Dwyer**. Well, actually then you are going to move forward and allow these swaps, notwithstanding the public comments, is that right?

Mr. **Fowler**. No, sir. Unless and until, Mr. Dwyer, we act, these would have to be approved on a case-by-case basis, under our traditional rulemaking powers.

Mr. **Dwyer**. I see.

Mr. **Fowler**. We have not done anything yet.

Mr. **Dwyer**. Do you anticipate doing anything in the near future?

Mr. **Fowler**. Not in the near future.

Mr. Johnson reminded me we have an item up this Thursday that has to do with permitting UHF for UHF swaps. That is, if someone has Channel 51, and they are a commercial broadcaster, and they want to swap with Channel 17, which is an educational, they can do that. We do not see too much of a problem there.

Mr. **Dwyer**. Well, that would be contrary to all those public comments you have, though.

Mr. **Fowler**. I do not think so. I think the real issue is the matter of swapping a UHF for a VHF channel. That is where the controversy has centered.

Mr. **Dwyer**. I asked the question about the public comment, because you had the public comment on the Morse Code thing, and you seem to want to abide by that public comment, but in this particular case you do not want to abide by the public comment in this area.

Mr. **Fowler**. Well, I do not think that I indicated that I had a position, one way or the other, on the VHF-UHF swaps. But the public comment, overall, was negative to the idea, to be sure.

Mr. **Dwyer**. Well, maybe we can look for some enlightenment when it comes to the CW use.

AMATEUR RADIO

Incidentally, I would like to ask another question or two about that CW.

Of the 400,000 operators out there, how many of them are using CW?

Mr. **Fowler**. Bob?

Mr. **Foosaner**. That is very difficult to answer, Congressman Dwyer. We do not do any monitoring for that. But, to be honest, with my experience, it would be a small percentage that uses the regular communications. We do not keep statistics. There is no record. That is basically what my feeling is.

Mr. **Dwyer**. Is there any test, when you go to renew your license, that you are still proficient in CW?

Mr. **Foosaner**. No. What we have in the amateur radio services is basically five classes. The lowest class requires the least CW proficency and limited technical knowledge. And you are very much limited to only operating on a few frequencies. Then you can ascend on up.

What our experience has been, is in the lowest class we have, maybe 80,000.

Mr. **Dwyer**. Why do we not say the first class, rather than the lowest.

Mr. **Foosaner**. The novice class. They tend to get more proficient, study more. This is where a lot of our engineers come, from out of schools, and they improve in their technology. That is the basis for a lot of technological development in the country.

Additionally, the comments we received were not just by popular opinion. It was not just the amateurs. It was the Defense Department. It was the CIA. These are the sources of technological people they get. This is where they are trained.

Mr. **Dwyer.** You are not going to have a source coming out of the senior citizens pool?

Mr. **Foosaner** Understood.

We spent a lot of time on the proceeding. It was a very difficult proceeding.

Mr. **Dwyer.** It would seem that we probably ought to reconsider that one aspect, as it concerns the senior citizens in the novice level of having the enjoyment, to use this equipment.

Thank you, Mr. Chairman.

FT. LAUDERDALE

Mr. **Smith.** What is the status of the Fort Lauderdale Monitoring Station which we authorized you to relocate?

Mr. **Fowler.** Mr. Minkel will answer that.

Mr. **Minkel.** Sir, we have been actively pursuing the transferral, or the sale of the Fort Lauderdale property. We are in the process now of having it resurveyed for GSA, and we have a contract which will be going out to an architectural engineering firm very shortly. We propose to be in a position to sell that Fort Lauderdale property in July of '86.

We have advertised for a new site, and we came up with seven sites. I think it has been reduced down to two sites now. One is Vero Beach and the other is Stuart County. It looks like, if all goes well, we will be able to start construction in December of '86, and relocate our station in '87. We anticipate that we will have some money left over from the $5 million, or whatever we get for the sale, to return to the Treasury.

Mr. **Smith.** I did not realize it was going to be moved that far. I thought it was just going to be moved inland a little ways.

Mr. **Minkel.** Well, there are certain criteria that were set up, and it has to be fairly close to water. The ground has to be a certain density, and it has to be flat.

Mr. **Smith.** Well, now if Vero Beach develops like Fort Lauderdale did, will you not have the same problem up there?

Mr. **Minkel.** That is true of any place, sir.

Mr. **Smith.** Why does it have to be close to water? I do not understand. Is that a technical requirement?

Mr. **Minkel.** Well, technically, it is better conductivity for transmission purposes.

Mr. **Smith.** Well, could you have it on a lake?

Mr. **Minkel.** Sure.

Mr. **Smith.** There is not likely to be much development on an island, is there?

Mr. **Minkel.** No, sir. But the bottom line is that we are progressing, and we had criteria that these two sites meet. There is always the danger of building up around us, like what happened in Fort Lauderdale.

Mr. **Smith**. It seems strange to me that you would move to another area that is developing very fast and likely to have the same kind of problem.

Mr. **Fowler**. I think that we are inland sufficiently that the development in that area is very sparse right now. Typically, in those coastal areas——

Mr. **Smith**. That is a fast growing area.

Mr. **Fowler**. Well, but it usually is right along the coast, several miles inland. Maybe 10 or 12 miles, where you have the densest development. Then as you go inland just a little bit further, the development radically drops off. And we are back, I think, in the hinterlands somewhere.

Mr. **Smith**. Are you inland there?

Mr. **Minkel**. Inland, right.

Mr. **Smith**. Oh, I thought you meant you were near the beach.

Mr. **Fowler**. No, sir, we would not.

Mr. **Minkel**. Not on the beach.

Mr. **Fowler**. We are not on Collins Boulevard in Miami.

Mr. **Smith**. Well, if you got a big enough cypress swamp, well you may be all right.

AUTHORIZATION

Where is your authorization?

Mr. **Minkel**. It is in the budget reconciliation bill. What is the amount? $98,100,000.

Mr. **Smith**. It was in the one we just passed? We just passed one last week, was it in there?

Mr. **Minkel**. Yes, sir.

Mr. **Fowler**. Last Thursday, yes, sir.

Mr. **Smith**. I see. So now it goes to conference, right?

Mr. **Minkel**. Right.

Mr. **Smith**. So you are in conference then on it, and that is for what?

Mr. **Minkel**. $98.1 million. That takes into consideration the funding needed if the fee schedule is passed, it will take care of that.

Mr. **Smith**. It would provide the money to implement the fee schedule, is that right?

Mr. **Minkel**. No, it would not. It would if we had to add $1.4 million, or $1.5 million, it would come in under the $98.1 million.

Mr. **Smith**. I see.

Mr. **Minkel**. So we would not exceed our authorization.

Mr. **Smith**. Mr. Rogers, any questions?

Mr. **Rogers**. No, Mr. Chairman, except just to say, to compliment the Chairman and his staff, for I think, doing a good job over there, in a very technically changing environment, and with the exception of the satellite dish thing, I have no complaints.

Mr. **Fowler**. I believe I just sent you a letter, by the way, sir, with some good news, I believe, on the transfer that you had inquired on

Mr. **Rogers**. Yes, sir, you did. And I thank you.

Mr. **Fowler**. Yes, sir.

Mr. **Rogers**. Thank you very much.

Mr. **Smith**. Well, I have some more questions, but we can submit then for the record. We do have an extremely difficult problem here this year. We will have to, as we are marking up the bill, trying to figure out how to handle these, constraints. We will have to keep in touch with you, and we need those answers as soon as we can get them.

Mr. **Fowler**. Yes, sir, we will get those to you.

Mr. **Smith**. Thank you.

Mr. **Fowler**. Thank you. .

[Questions for the record and the answers thereto follow:]

Questions from Mr. Smith

General

Question: For the current and next fiscal years, what specific programs, projects and activities will be cut or eliminated to meet the reductions required by The Balanced Budget and Emergency Deficit Reduction Act of 1985 (P.L. 99-177, Gramm-Rudman-Hollings)?

a. Will the reductions result in FCC not effectively carrying out any basic agency mission?

b. Which of the programs, projects and activities being reduced will cause the greatest negative impact on FCC's operations? What economies taken will reduce adverse impact? Can we expect reprogramming of funds in this effort?

c. Have you identified high-priority activities which FCC will try to insulate from the mandated cuts? If yes, list these priorities and activities.

d. How many full-time employees must FCC lose to meet reduction targets?

e. What is the potential for furloughing FCC employees during FY 1986 and FY 1987? How many furlough days are expected per employee?

Answer: For FY 1986, the FCC has proposed to accomplish the necessary reductions without cutting or eliminating any specific programs, projects or activities. For FY 1987, no reductions, other than one-time cost reductions, have been proposed for the FCC in the President's budget submitted to Congress.

a. The FCC will continue to carry out its basic agency mission in FY 1986 though at a somewhat less effective level. As indicated in our reprogramming request dated March 13, 1986, the Commission proposes to meet the sequestration requirements of Public Law 99-177 with the least possible disruption to the overall effectiveness of the Commission. Our proposal includes personnel related actions, such as a total hiring freeze and deferral of all promotions until the beginning of FY 1987. Additionally, we reduced almost all of the non-personnel accounts to the minimum level possible which would still allow the Commission to function. The reductions included deferring the purchase of new and replacement technical and ADP equipment, delaying the implementation of additional automation, reducing our expenditures for printing Commission decisions in the Federal Register, reducing other printing expenditures, and limiting official Commission travel, both domestic and international. Even with all of these reductions, our projection indicates that approximately two days of furlough of all Commission employees will be required to make up the shortfall of approximately $600,000.

b. The greatest negative impact on the FCC's operations in FY 1986 is caused by the shortage of clerical support staff. During a hiring freeze, the area of highest turnover is clerical. Presently our clerical staff is down 50%. Absence of support staff significantly reduces the effectiveness of professional staff due to delays in the preparation of correspondence and other documents. It also creates morale and productivity problems for overworked clerical staff and frustrated professionals. This affects all programs, projects and activities of the Commission.

The deferral of replacement equipment/purchase of new ADP equipment will also have an adverse impact across all Commission programs and activities. The delay in replacing obsolete and aging technical equipment will particularly affect the field monitoring activities and the delay in purchasing new ADP equipment will not allow for the increased employee productivity we expected with additional automation.

Taking the majority of the required reduction from the non-personnel accounts was the only mechanism available to the Commission to reduce the adverse impact.

A reprogramming request was forwarded to the Subcommittee on Commerce, Justice, and State, the Judiciary and Related Agencies on March 13, 1986. The thrust of that request was to minimize the adverse impact on the effectiveness of our operations.

c. No activities have been insulated from the mandated reductions in FY 1986. However, we have given priority to authorization of service and to safety of life functions. These areas have been reduced less than other areas.

d. The FCC must lose a minimum of 97 full-time permanent employees in FY 1986 to meet the reduction targets. We began the fiscal year with 1,825 full-time permanent employees on-board and we expect to have 1,728 employees on-board as of September 30, 1986 if attrition continues at the currently projected rate. e. The current projection is that all Commission employees will be furloughed for two days. We anticipate furloughing during the last quarter of the fiscal year. This action, however, will be taken only as a last resort. We will continue to closely monitor our funding requirements during the remainder of the fiscal year to identify any additional savings which could reduce or eliminate the projected furlough.

Question: The introduction to the budget estimates on page i, paragraph 2, states that the FCC has critically examined its programs and reordered priorities. Please describe which programs have been examined. What were the conclusions reached by these examinations. Based on the conclusions, exactly how were priorities reordered?

Answer: The FCC consists of five main program areas -- Authorization of Service; Policy and Rulemaking; Enforcement; Adjudication; and Support. When the decision was made to manage the FCC using the Management-by-Objectives system, the MBO contracts were set up in these program areas. Bureau/Office Chiefs within the Commission were asked to prioritize each program area within their purview. Additionally, special emphasis items within each area were highlighted as top priority. Management is now able, using these MBO contracts, to evaluate relative priorities Commission-wide when required. Generally, top priority areas in each program for each Bureau and Office can be considered essential. Therefore, if budget reductions are required, Commission management has a blueprint for identifying areas which must be maintained versus those which can sustain resource cuts with less serious impact.

Question: On page i, the introduction to the budget estimates states that improvements in productivity and in processing times are attributable to efficient management -- "doing more with less". You also state that 15 percent of your rules have been or will be eliminated. Isn't it possible that productivity gains could be a result of reducing workload through rule elimination?

a. On what basis do you know that 80 percent of FCC rules have been reviewed? What does the review process consist of, and who is tracking it? What resources are devoted to the review of rules in terms of staff time and other costs?

b. Can you provide for the record listing of the rules eliminated, indicating their purpose, and their former cost to administer? Please estimate their former impact and/or cost to the communications industry and users and the impact of eliminations, if any.

c. Does the total of 46 percent of the rules to be modified reflect work in the current fiscal year alone or in the out years? Will 100 percent of the rules be reviewed? What is the timetable for completing the reviews and beginning the review over again?

Answer: The Commission workforce has been reduced from an authorized 2,153 positions in FY 1980 to a projected level of 1,728 on-board by the end of FY 1986, a drop of 19%. Some of this reduction may be attributed to rule simplication. However, there is often no direct correlation between rule reduction and productivity gains. While the elimination of some rules results in time savings for all concerned, this is not true in many cases. For example, elimination of a rule which requires the license to provide a positive commitment to eliminate interference may result in more interference complaints which must be investigated and resolved by the Commission. In this instance, rule elimination benefits licensees, but increases the workload of the Commission. In a similar fashion, reducing important information requirements from licensees puts a burden on the Commission to supply it in the event it is needed.

a. In June of 1981, the Commission formed the Regulatory Review Working Group (RRWG). The RRWG developed a Master Regulatory Review Plan that called upon the Commission's bureaus and offices to: (1) initially review all their rules; (2) identify whether their rules would be modified, simplified, eliminated or retained; and (3) schedule deadlines for total review and final disposition of all rules. The Plan is incorporated in the agency's MBO system. Progress on this Plan is then tracked by means of the quarterly MBO review process. Further, a quarterly Policy and Rulemaking Report is prepared by each Bureau/Office committing them to completion of rulemakings one quarter in advance, and tentatively committing to several quarters beyond that point. This Report is an attachment of the quarterly MBO contract. All Bureaus/Offices will complete their review and final disposition of rules by June, 1986. The workyears devoted to the total Policy and Rulemaking program are approximately 227.

b. Below is the Master Regulatory Review Plan, listing the rules eliminated. Costing each item of this extensive list would be extremely time-consuming and would not present a complete picture. As explained above, in some cases more resources would be required by the Commission because responsibility is shifted from applicants to the FCC workforce. One measure is available, however, to estimate the impact of these eliminations on the communications industry. The Commission keeps records on the burden hours associated with its rules. Burden hours denote the time the public (an applicant, for example) must take to comply with a particular Commission rule, insofar as record-keeping, reporting information to the Commission, or requirements for disclosure to third parties. As part of the Paperwork Reduction Act, passed in 1980, the Commission regularly reports its level of burden hours to the Office of Management and Budget. In FY 1980, the FCC burden hour base figure was 49.8 million hours. At the end of FY 1985, that figure was 14 million hours, a drop of 72 percent. The public has been relieved of almost 36 million hours of effort formerly devoted to paperwork-related requirements associated with Commission rules.

c. The 46 percent figure reflects rules modified since the regulatory review program was instituted in 1981. One hundred percent of the rules have been reviewed and their final disposition --whether slated for simplification, modification or elimination--will be completed by June, 1986. The review process is an ongoing part of the Management-by-Objectives program of the Commission under the Policy and Rulemaking section of all MBO contracts. Quarterly reports are submitted to management to show rulemakings scheduled under the regulatory review program, as well as new rulemakings.

Question: The following questions are related to FCC staffing and personnel management.

a. What is the average grade level for FCC staff for each of the last five years.

b. How much is included in the FY 1987 budget for awards and SES bonuses? For training?

c. What percentage of FCC's SES staff have left the agency during the last 3 years?

Answer:

a. The following table shows the average grade level for our staff over the past five years.

Year	Average Grade Level
1981	9.79
1982	9.98
1983	10.06
1984	9.82
1985	10.11

b. Our FY 1987 Budget Request includes $248,000 for awards, $69,000 for SES bonuses and $137,000 for training.

c. During the past three years the Commission has lost, on average, 16% of its SES staff annually.

Question: What is the status of your 1987 authorizing legislation? Does it propose any activities not planned for in your 1987 budget proposal?

Answer: Our authorizing legislation for FY 1987 is contained in the Omnibus Reconciliation Bill of 1985. The only new initiative in this legislation is a statutory fee schedule. Our initial estimate was that an effective fee collection program would cost an estimated 1.6 million in FY 1987 and 1.1 million in each successive year. These amounts are included in the authorization bill. Our estimates have been revised based on a more detailed analysis of the requirements. We now estimate that $1 million will be required in FY 1987 and $900,000 in each successive year. However, our FY 1987 Budget Request does not contain any funding to implement a fee collection program; we plan to request funding by means of a supplemental or amended budget request.

Question: The budget estimates cite an overall 12.4 percent decrease in work years between 1981 and 1985, yet the cost of travel and transportation for persons is proposed for an increase of $230,000.

a. Are fewer people traveling more for FCC? If so, why?

b. Part of the travel increase is to restore funds reallocated from this accont to meet unanticipated program requirements in 1986. Does this mean that FCC is managing to spend significantly less than budgeted in 1986, but is proposing an increase in the FY 1987 budget?

Answer: In recent years a large percentage of our travel budget has had to be reprogrammed to other uses. Specifically, we have not had sufficient funds to meet our personnel related costs. Funds from travel and other non-personnel accounts have been reprogrammed into our personnel compensation and benefits accounts. A $504,000 reduction to our compensation and benefits accounts resulted from our receiving only four fifths of the additional amount required to fully fund our personnel after the proposed 5% federal employee pay reduction (assumed in our original request) was not enacted. Because of this required reprogramming, much of the travel needed to meet our responsibilities in FY 1986 will not be done. This is especially true for onsight audits of the Regional Bell Operating Companies. Recent Commission decisions make it imperative to ensure that carriers are not subsidizing nonregulated operations with their regulated operations. We have not completed the minimum number of audits required to have a reasonable degree of confidence that the carriers are in compliance. Increased travel funds are also required to ensure an adequate level of monitoring and investigative activites by our field offices. These efforts along will require restoration of the base funds reallocated in FY 1986, plus $70,000 of new funding. Additional funds are also required to support EEO audits required as a result of the Cable Act and to support Joint Board activities.

Question: The budget estimates introduction spells out the one-time FY 1986 costs totaling $1.3 million. It also identifies programmatic increases for FY 1987, but gives no breakdown of one-time FY 1987 costs. Please itemize such costs proposed for 1987.

Answer: It is difficult to identify one-time expenditures in FY 1987. Much depends on whether one-time expenditures originally planned in FY 1986 are deferred until later years. Nevertheless, in our FY 1987 Budget we requested funds of a one-time nature amounting to $1,106,000. These funds are identified with the following projects.

	Item	Nonrecurring Costs
a.	Expand and improve the field office automation network	$182,000
b.	Replace aging and obsolete technical equipment	332,000
c.	Develop computer models to speed applications processing in the Mass Media Activity	100,000
d.	Color graphics equipment for the AM interference study	48,000
e.	Personal computers for Common Carrier staff	26,000
f.	Replacement telephone system for our Laurel Laboratory	26,000
g.	Additional office automation equipment for the Mass Media Activity	9,000
h.	ADP equipment needed to automate the coordination/registration of proposed satellite networks	15,000
i.	Upgrade engineering efforts of the Common Carrier Activity	12,000
j.	Complete primary system development of new Uniform System of Accounts data base	300,000

k.	Supplies and contract personnel for Low Power TV "open window" applications processing	46,000
1.	Software for Legal Services records maintenance, referral and retrieval.	10,000
	TOTAL	$1,106,000

Question: As indicated on page iii of the introduction, the largest increase in FCC's fiscal 1987 programmatic costs -- $1.2 million -- is for the increased use of automation.

a. Is the automation activity necessarily more cost-effective?

b. Explain exactly how the additional funding will be used and provide your studies and rationale that indicate this is the best use of these resources.

Answer:

a. The Commission is a relatively small organization and has relied on an aggressive automation program over the years to accomplish its mission. With the advent of technology gains in the areas of office automation, distributed processing, scientific computation, and telecommunications, the cost effectiveness of the Commission automation program has become more apparent. For example, from 1981 to 1984 the Commission underwent a reduction of 12% in number of workyears. During the same time, as a result of improved automation capabilities, we were able to:

- increase productivity in private radio licensing by 21%.
- improve speed of service for land mobile applications from 60 to 30 days.
- increase productivity of TV licensing by 30%.
- complete a review of 80% of all FCC rules.
- increase the application disposal rate in all mass media services by 92%.
- reduce backlogs in AM new and major applications by 17%.

- authorize new broadcast services such as Direct Broadcast Satellites, Low Power Television, new FM allocations, multipoint Microwave Distribution Service and AM Clear Channels.

Our automation activities also directly support other functions of national and international scope such as the United States delegations to International Conferences generally held in Geneva, Switzerland. For example, in June and July of 1983, the United States and 24 other North and South American nations met to plan the implementation of broadcasting satellite service for the Western Hemisphere. In a 1984 report on the Conference, the United States General Accounting Office (GAO) stated that the FCC computer support for the U.S. delegation was a major contributor to the United States' success at the conference. GAO further stated that the plan adopted could not have been devised without the FCC provided automation support before and during the conference which not only satisfied the United States requirements, but which was also acceptable to the rest of the nations involved.

The Commission is committed to further enhancing its automation program in the future in a comprehensive, cost effective manner. For example, $250,000 is requested to develop a Commission-wide microwave data base system and to redesign several antiquated license processing systems to be more cost effective and to better service the needs of the Commission and the public. Funds are requested in the office automation area to maintain the momentum achieved over the past several years to increase productivity throughout the Commission. This includes a local area network to electronically transmit data between/among offices. For example, the answers to these questions were developed by various staff offices throughout the Commission and electronically transmitted to a focal point for consolidation, minimizing the need to rekeystroke, distribute, and make hardcopy.

b. The additional funding will be used as shown below:

Document Storage and Retrieval System

$175,000 is requested for a record image processing system (RIPS) for the Dockets Branch and public reference rooms as a means of document storage and retrieval. Currently, the Dockets Branch and the public reference rooms have significant filing backlogs, large numbers of incomplete files and many misfiled documents. In addition, storage of these documents occupies a sizable amount of office space. RIPS technology is designed to correct these problems. This system will reduce labor costs, minimize the use of prime office space for document storage, improve file integrity by providing access to files other than original documents and eliminate costs associated with correcting misfiled documents and reconstructing lost materials. The Commission staff and the public will be able, through the use of workstations, to conduct document searches and retrievals, thus substantially reducing time required for these functions. Savings in personnel costs, space, and filing supplies during the first five years of operations are estimated to total over $730,000 in the Dockets Branch alone.

Contract Programming Support - Computer Applications Division

$250,000 is requested for ADP programming support in the development and maintenance of automated systems required by Bureaus/Offices. Projects associated with immediate contract programming support requirements include the Payroll Software Improvement Program maintenance project, the consolidation and development of a Commission-wide microwave data base system, redevelopment of the antiquated Marine and Aviation License Processing Systems and the implementation of a data base designed Common Carrier Land Mobile Applications Processing system. These efforts will be accomplished through contractor personnel performing mainframe computer programming. Resource requirements for new automated systems far outstrip the number of programmers on our staff. Since we cannot expect an increase in our programming staff to meet all the necessary requirements, we must rely on contractual personnel. This will free the Commission staff to perform system requirements studies and cost benefit analyses, design systems to preserve current system continuity and cope with maintenance of the increasing inventory of automated systems. The requested funds will undetwrite approximately five workyears of general programming support.

Mass Media Bureau Speed of Service

$100,000 is requested for contractual services for the evaluation and development of two computer systems to expeditiously process all applications and submissions relating to the audio and video services. These systems will enable the Mass Media Bureau to readily authorize modifications to existing station licenses for improved broadcasting service on a routine basis and process applications for new stations on the basis of specific engineering considerations, rather than general purpose allotment tables. Currently, FM and TV applications are processed using techniques and rules which were originally adopted for manual processing and subsequently directly computerized. These systems would replace many of the former techniques with a comprehensive set of programs incorporating sophisticated analytical techniques and modern computer data bases. These will include programs that can address more complex situations but will be faster and more accurate than techniques now in use. They will permit more realistic and more comprehensive evaluation of proposals and alternatives with no increase in staff.

Debt Collection Program - Financial Management Division

$50,000 is requested to purchase the necessary hardware/software for the implementation of accounting systems which will enable the Commission to begin to comply with the mandates of the Debt Collection Act of 1982. This system will be part of the agency's cash management system with interface capability with general ledger and other related financial systems. With this new system the Commission will be able to implement aggressive debt collection strategies for quickly recovering past due debts while recording, tracking, controlling and accounting for all Commission debts.

Uniform Systems of Accounts (USOA)

$92,000 is requested for maintenance, furniture, and supplies associated with the new Uniform System of Accounts minicomputer which is scheduled to be installed in the fall of 1986. This system will be used to implement the automation of a revised USOA system which is required to monitor compliance with the Commission's requirements for access charges, allocation of joint costs and compliance with the changes in the requirements for interstate/intrastate separations.

Upgrade Automated Land Mobile Applications Processing System (ALMAPS)

$63,000 is requested to support the Automated Land Mobile Applications Processing System (ALMAPS) for the Private Radio Bureau, which processes 85% of all licenses at the Commission. These funds will provide computer equipment, furniture and supplies to complete ALMAPS. The requested hardware will permit the incorporation into ALMAPS of sophisticated software to automate antenna tower and frequency assignment checks. With these added computer programs, it will be possible to issue selected land mobile licenses with minimum staff intervention, thereby resulting in improved speed of service to the public and an increase in productivity for systems licensing.

Field Office Automation Network

$280,000 is requested to purchase additional terminals and printers and to upgrade microcomputers which were installed at 40 field office locations nationwide over the past several years. This will improve significantly the processing of tower construction permit applications and will upgrade the word processing capability at each field office location.

Computer enhancement-Legal support activities

$51,000 is requested to support the increased usage of the automated legal research service (LEXIS) and to purchase ADP software for an automated tracking system for the Office of General Counsel. This will enable that office to maintain efficient records concerning the Commission's rapidly increasing litigation caseload, provide attorneys quick access to information concerning pending and closed cases, decrease case backlog and provide current status and reference data on all activities.

Computer enhancement Mass Media Bureau activity

$83,000 is requested for Mass Media Bureau (MMB) Activities. $48,000 is to purchase ADP color graphics equipment for MMB to automate the AM interference study program for the International Frequency Board. Also, the use of color graphics for the plotting of groundwave and skywave contours as well as rapid identification of areas of interference, would expedite the study of foreign AM broadcast notifications, as well as the resolution of incompatibilities during bilateral negotiations. $21,000 is for service contracts to provide data transcribers to process data received during the next open "window" filing for the Low Power Television Service. The balance is to be used for automation support for Radio Marti and Low Power TV application processing activities.

Computer enhancement-Common Carrier Bureau

$38,000 is requested for our Common Carrier Bureau Activities; i.e., $26,000 to purchase personal computers to improve the efficiency of audit teams and to reduce the amount of staff time required to complete an audit and $12,000 to provide plotters to upgrade engineering methods for Microwave Multipoint Distribution, Satellite, Land Mobile and Cellular Services.

Computer enhancement for Private Radio Bureau and Office of Engineering and Technology

$21,000 is requested for the purchase of a personal computer to perform complex engineering analysis for the Licensing Division of the Private Radio Bureau and to purchase a microcomputer to automate the coordination/registration of proposed satellite networks for the Office of Engineering and Technology.

Through the use of adopted formalized standards and procedures, the Commission performs studies, cost benefit analyses, and reviews on each proposed enhancement to our budget. These formalized procedures ensure that the information resource management program is consistent with overall FCC objectives and is accomplishing its stated goals in a cost-effective manner. Before these enhancements are approved for inclusion in our budget, they must be reviewed and approved by four separate review processes. The first review is a technical and budgetary review by an advisory forum composed of technical and management personnel, the second is a review by the Automated Data Processing Steering Committee (composed of the Commission's Bureau and Office Chiefs), the third review is conducted by the Managing Director and the final review is conducted by the Chairman and Commissioners. Under this Commission review procedure, the agency ensures that only those items that will improve productivity and/or reduce costs are included in our budget submission. Due to the voluminous content of the studies, evaluations and reviews, they have not been included with these answers, but will be provided separately, if required.

Question: Please explain why your subscription and library services costs will rise by $36,000? What is the total budget and percentage increase? Does the amount include the cost of any new services?

Answer: In FY 1987 the FCC has requested an additional $29,000 for periodical subscriptions and $7,000 for books and related reference materials for a total budget of $220,000. The additional $36,000 represents a 20% increase over FY 1986 in these combined accounts. This is not a significant increase when compared with previous budgets. For example, eight years ago, in FY 1979, the annual budget for subscriptions was $191,000. For books and related technical/legal reference materials the budget was $32,000, for a combined budget total of $223,000. The FY 1987 budget actually represents a slight decrease compared to FY 1979. During this same eight year period, however, the cost of books and periodicals has increased at an annual rate of 12% to 17%.

In an attempt to manage the limited funds in these accounts, the Commission has had to reduce significantly its subscriptions. For example, the number of Pike and Fischer Radio Regulations subscriptions has been reduced from 42 to 18. However, in this time of reduced personnel resources, adequate reference materials have become more critical and it would be difficult to limit the number of subscriptions further.

The funds requested in FY 1987 will offset the inflationary increases for our existing subscriptions and reference materials (estimated to be at least 15%) and will allow the purchase of new periodicals and books to keep the Commission's collection current with the many technological changes that have taken place in the telecommunications industry. Although this amount does include new books it does not include any new services.

Question: What is the status of FCC efforts to turn over emergency broadcast planning responsibilities to the Federal Emergency Management Agency? If this transfer took place, by how much would it reduce FCC's personnel requirement?

Answer: The Commission has recently reorganized its national security and emergency prepareness activities. As part of this reorganization, the emergency broadcast planning responsibilities where transfered from the Emergency Communications Division to the Management Planning and Program Evaluation Office pending the outcome of negotiations with the Federal Emergency Management Agency (FEMA). However, negotiations have come to a standstill as a result of the dramatic budget situation faced by both the FCC and FEMA. The FCC proposed, as part of the transfer responsibilities, to reassign four full-time permanent positions (with compensation and benefits) to FEMA. Thus, FCC's personnel requirements would be reduced by this number of positions.

Question: What is the total amount FCC plans to spend on outside contractual services (object class 25) in FY 1987?

a. Of this how much will be procured non-competitively? Please provide a listing and detailed explanation for each non-competitive contract.

b. How much of the contracting expenditures will be on consultants? List these contracts for the record.

c. In compliance with the provision in the P.L. 99-190 continuing resolution, did you take a 10 percent cut to consulting services? Which contracts were reduced and by what amounts?

Answer: The Commission has $3,838,000 budgeted for contractual services in FY 1987.

a. None. Our plans include the competitive procurement of all services.

b. None.

c. Question is not applicable, because we were not subject to this provision of P.L. 99-190.

Question: In FY 1986 budget hearings the FCC Chairman said FCC could collect about $50 million at a cost of $1.6 million if an effective fee collection program was authorized and implemented.

a. What is the current status of a FCC fee collection program? After it is authorized, what steps must FCC take to establish a fee collection program?

b. How much would an effective fee collection program collect in FY 1987 and at what cost?

c. Considering the federal deficit, what does FCC see as the main difficulty in implementing fee collection?

Answer:

a. A fee schedule is contained in the Consolidated Omnibus Reconciliation Act of 1985 (H.R. 3128), which was passed by Congress on March 20, 1986, and referred to the President for signature.

To implement the fee collection program, the FCC must design an administrative collection system which complies with all applicable statutes and GAO, Treasury and OMB regulations. A task force has been formed to design the collection system. Requirement studies have been completed and in-house resources have been dedicated to begin the automated system design. A rulemaking would be conducted on the administrative procedures to be used in implementing this program. The Commission would also have to procure computer hardware and software as well as additional staff for fee processing activities.

b. Because legislation authorizing a fee schedule was not enacted as early as originally anticipated, fewer fees will be collected during the year than estimated. Additionally, changes in projected application receipts and fee processing cost revisions have lowered the anticipated fee collections for FY 1987. Collections in FY 1987, assuming an April 1, 1987 implementation date, are estimated to be approximately $15-20 million. (The legislation allows the FCC 360 days to implement the fee collection system.) Estimated receipts for the first full-year of operation would be approximately $30,000,000.

Approximately $1.0 million and 38 positions will be required in FY 1987 for staff, data automation equipment and other costs associated with the development and maintenance of a fee collection system that would be consistent with applicable GAO, OMB and Treasury regulations.

c. The Fee Program must meet all statutory requirements as well as all GAO, Treasury and OMB regulations. This is a resource-intensive project. Also, licenseees must be informed and educated on new fee requirements to ensure that payments are filed properly and in a timely manner. These will be the most difficult implementation problems for us to overcome.

Question: What is the estimated cost for the FCC to process an application for a broadcast license? Should the government continue to bear this cost?

Answer: The estimated cost for the FCC to process an application for a broadcast license depends on the type of license one applies for. The costs associated with processing a license varies from service to service. The "Schedule of Charges" detailed in the legislation recently passed by Congress (H.R. 3128), provides a breakout of fees to be paid by broadcast licensees. The fees are based on the approximate cost of processing a single license within each of the services shown. A cost review of all license service categories resulted in an average cost of processing a single application, granted or not granted, given a level of operations significant enough to achieve efficiencies of scale. The average cost by fee category thus became the fee amount for each category.

The Commission believes that the licensee should bear the cost of licensing as the recipient of the license benefits from the grant.

Question: The FY 1987 budget estimates include increases in the departmental telephone account of $148,000, in the field telephone account of $35,000, and the Federal Telecommunications Service account of $70,000. In recent years FCC officials have been actively proclaiming the many benefits that telephone users are experiencing in the newly "competitive" telephone industry.

a. Why is FCC increasing its communications accounts by over $250,000?

b. What reductions in FCC's communications costs have directly resulted from FCC's pro-competitive actions?

c. What does FCC do to prevent unauthorized use of its telephone system by employees and others?

d. How much money did FCC recover in 1985 from employees and others for unauthorized use of its telephones?

Answer:

a. The $67,000 increase in the FTS account is our best estimate of costs associated with the enhancements to the field operations network and other anticipated FTS costs. This 10% increase in cost will cover the use of FTS lines to transmit data between the field monitoring stations, district offices and Headquarters. Additionally, $3,000 is proposed to cover the cost of FTS for proposed new staff. Finally, the FCC has planned for possible increases in the basic cost for the FTS system.

Of the $35,000 increase proposed for the field telephone account, $5,000 covers the projected inflationary cost of these services and $2,000 covers the cost of phone service for proposed new staff. The remaining $28,000 is to cover the projected cost of various changes directed by GSA, such as: payment for directory assistance (both local and FTS), possible requirement to purchase all currently leased phone systems, possible increases in lease prices, etc.

$28,000 of the proposed $148,000 increase in the cost of departmental telephone service is for projected inflationary costs and $2,000 covers the cost of phone service for proposed new staff. The remainder ($118,000) represents our best estimate of the costs associated with various changes being made by GSA, such as: increases in CENTREX charges, paying for directory assistance (both local and GSA), requirements to buy special call transfer services, increased GSA Common Distributable Charge (CDC), etc.

b. The FCC's telecommunications expenses for FY 1986 will be less than in FY 1983. Part of this reduction is due to a $.05 per minute decrease (14%) in FTS long distance rates brought about by increased competition. Competitively bid federal contracts have reduced the cost of equipment by over 40%.

c. The FCC has made a concerted effort over the past two years to control unofficial use of government telephones, particularly FTS. Through these efforts, we reduced the FTS cost estimates for FY 1986 from $865,000 to $700,000. Our original estimate for FY 1987 was $872,000 which was reduced to $770,000 through these efforts. In the first quarter of FY 1985 the FCC was charged for 609,000 minutes of calls. In the fourth quarter of FY 1985 the minutes had been reduced to 479,000, a 21% reduction. This has been accomplished through employee education and management review and control.

d. The FCC recovered $7,814 from employees during 1985.

Question: The FY 1987 budget proposes $60,000 for the purchase of vehicles.

a. Please provide a listing of the current vehicles assigned to the FCC and provide data on make, age, mileage, etc.

b. How many full-time employees are assigned to operate these vehicles?

c. How many new vehicles are being requested in FY 1987? What type are they and why are they needed?

d. Does current law allow any FCC official to use the FCC vehicles for commuting to and from work? If so, who and under what circumstances?

e. How many vehicles have been assigned to the FCC for each fiscal year since 1977?

Answer:

a. Below is a list of all FCC-operated vehicles. As of March 27, 1986, we have 84 FCC-owned, 55 GSA-owned and two commercially leased vehicles; a total of 141.

b. All vehicles assigned to field facilities are used on a shared basis as needed for the employees to complete their assigned duties. Two employees are assigned to operate vehicles at Headquarters.

c. We plan to buy five four-wheel drive vehicles in FY 1987 to replace selected high-mileage (over 75,000 miles) investigative cars. These new vehicles will be equipped with radio direction finding and measurement equipment. They will be delivered to field offices in western and mountain states and will provide increased safety to the employees when it is necessary to work during severe weather conditions as well as improve access to transmitter sites in mountainous areas.

d. Section 1344 of Title 31 of the United States Code states:

"(a) Except as specifically provided by law, an appropriation may be expended to maintain, operate, and repair passenger motor vehicles or aircraft of the United States Government that are used only for an official purpose. An official purpose does not include transporting officers or employees of the Government between their domiciles and places of employment except--

(1) medical officers on out-patient medical service; and

(2) officers or employees performing field work requiring transportation between their domiciles and places of employment when the transportation is approved by the head of the agency.

(b) This section does not apply to a motor vehicle or aircraft for the official use of--

INFORMATION FOR THE RECORD - HOUSE APPROPRIATIONS HEARING

Impact of Straight-Line Budget for FY 1987 ($90,341,000)

As indicated in the testimony provided by Chairman Fowler, the Federal Communications Commission has made a concerted effort to streamline its processes and procedures to "do more with less." Since Chairman Fowler assumed his duties in FY 1981, the FCC has reduced its authorized full-time, permanent positions from 2,004 to 1,835. Due to fund reductions required by the the Gramm-Rudman-Hollings sequestration, we anticipate our staffing level will be significantly below our authorized level by the end of FY 1986. Although the Commission has made substantial productivity improvements, including improved speeds of service in most processing areas, a continuation of this lower staffing level will have an adverse impact on many of our programs and activities. We will continue to put high priority on the authorization of service and safety of life issues. However, a continuation of reduced staffing levels and further deferrals of automation improvements will certainly impair our ability to keep pace with increased application filings. Other important activities would have to be further curtailed.

The Budget Estimates for FY 1987 currently under consideration represents only essential requirements. It includes only a small portion of the positions and dollars initially requested by the individual Commission activities. The Commission is sensitive to its responsibility to the taxpayer, to provide only necessary services, efficiently, and at the least possible cost.

The budget submitted continues to focus on the use of automation as a tool to maintain efficiencies without substantial personnel increases. However, without the necessary tools such as automation, technical equipment, and clerical support, the overall effectiveness of the Commission cannot be maintained.

It should be noted that staffing levels below those in the Budget Estimates for FY 1987 could be maintained on a continuing basis if certain pending deregulation legislation is enacted.

The following analysis documents as accurately as feasible the consequences of a "straight-line" budget in FY 1987 ($90,341,000):

PERSONNEL:

A budget of $90,341,000 will fund 1,749 full-time, permanent positions. This is a reduction of 86 positions from our actual FY 1986 budget and 106 below our FY 1987 request. We have reduced the full-time permanent positions in FY 1986 as a result of a total hiring freeze to accommodate the required reduction of $4 million due to the Gramm-Rudman-Hollings sequestration. We had anticipated that this reduction would be of a temporary nature through the end of FY 1986, and that we would be able to hire up to our authorized strength soon after the beginning of the new fiscal year. The reduced level will create difficulties for the Commission. In a time of hiring freeze, the area of highest turnover is clerical. Presently our clerical staff is down 50%. Absense of support staff significantly reduces the effectiveness of professional staff due to delays in the preparation of correspondence and other documents. It also creates morale and productivity problems for overworked clerical staff and frustrated professionals.

The Commission needs to replace staff in order to maintain productivity and accommodate projected workload increases. The small increases requested in the FY 1987 budget basically provides only for the continuity of the current level of effort. We are not proposing improvements in our speeds of service or authorization efforts. The twenty positions requested are needed to maintain a minimally acceptable level of effort in our field enforcement and certain other critical programs.

Ten positions were requested for the Field Operations Bureau. Failure to support the staffing level requested in our FY 1987 budget will reduce the effectiveness of our monitoring efforts, since certain Monitoring Stations will not be able to maintain 24 hour a day operations. This could delay response to urgent requests for monitoring assistance in life and safety situations. Additionally we would be less responsive in resolving interference problems which can adversely affect other governmental entities as well as licensees and other members of the public. We are currently operating our field activities below a minimally acceptable level.

Additional positions were requested for the Mass Media Bureau (5), the Common Carrier Bureau (3), for establishing a Debt Collection Program (1), and for maintenance of ADP operations in support of all Commission programs (1). The five positions for the Mass Media Activity are needed to handle filings anticipated from the next Low Power Television filing "window." We expect about 30,000 applications. The last bulk filing received in this program was in FY 1984 when the Commission received 25,000 applications in one week. With some innovative measures, we were able to keep the applications moving. However, we did require additional resources which were diverted from other areas. Due to substantially reduced staff, we no longer have the flexibility to divert resources. In addition to the three file clerks and one Public Reference Room clerk required for LPTV, we are also requesting one attorney for processing television assignment and transfer applications. Since the change to the ownership rules, the Commission has been inundated with requests for assignment or transfer of TV licenses. Failure to provide additional legal resources may delay processing of applications in an area where the Commission has been particularly sensitive to the importance of prompt action.

Three new staff members are requested for the Common Carrier Bureau to keep pace with the increasing volume of paper filed by common carriers. Two clerical positions and one ADP specialist are needed to facilitate the availability of information to the public and to the staff, to find innovative methods of controlling the vast workload through better use of automation, and to insure control and timely processing of applications.

Debt collection procedures are mandated by law. Currently the Commission does not have any debt collection program. The absense of a mechanism to follow-up and collect funds owed to the federal government is costing the government money which could be used to offset the deficit. The number of rules and regulations which must be followed by finance offices has grown significantly in the past few years. Examples of new requirements are: Cash Management Procedures, Financial Automation procedures, Debt Collection Procedures, Prompt Payment and Audit Procedures. In an environment of increasing requirements, the Commission has had to reduce its financial staff by 35% over the last four years while experiencing a 50% turnover in staff.

Finally, but no less important, the Commission is requesting one position to assist in maintaining the automation improvements already made by the Commission and hopefully to take us further in our automation efforts.

In conclusion, the twenty positions requested are for urgent activities of the highest priority. The request was submitted to OMB and to the Congress only after serious consideration of other alternatives. The Commission concluded that these functions and responsibilities cannot be accomplished within existing resources.

The restoration of positions vacated in FY 1986 and not filled would cost approximately $2 million. The 20 new positions requested would cost approximately $395,000. Thus, personnel costs (salary and benefits) represent approximately 40% of the reduction required if only $90,341,000 is appropriated in FY 1987.

NONPERSONNEL REQUIREMENTS:

Uniform System of Accounts (USOA) Computer System:
In FY 1987, $948,000 is identified for the development of a financial accounting system which would meet the financial and primary fiduciary reporting needs of the telephone industry. It would provide the body of financial data to which appropriate methodologies can be applied to develop the requisite information to satisfy FCC regulatory needs. By coordinating the USOA proceeding with other proceedings, principally those involving cost allocation procedures and the jurisdictional allocation process, the revised system will continue to serve the Commission's commitment to cost of service ratemaking.

The development of this system is important to the Commission, to the industry and to the public. Absent this type of automated effort, the Commission will be unable to insure compliance with its rules and regulations. The extent of the effort required to do this manually makes it virtually impossible and certainly not a cost effective way to obtain the necessary information.

Records Image Processing System (RIPS):
The Commission's paper files and records occupy a significant portion of office space. In the Dockets Branch and the public reference rooms backlogs have increased, incomplete files are prevalent, and misfilings have become routine. A Records Image Processing System would electronically capture, store, retrieve and display images of paper documents utilizing optical disk storage and high-speed input and output devices. This system will reduce labor costs, minimize the use of prime office space for document storage, improve file integrity by providing access to files other than original documents, and eliminate costs associated with correcting misfiled documents and with reconstruction of lost materials. Workstations will be available for staff and the public to perform document searches and retrievals, substantially reducing time required for these functions, and hard copies will be available via laser printers.

Most of the required equipment will be acquired on a lease-to-purchase basis in order to keep initial costs reasonable. The first year cost will be $175,000. Savings in personnel costs, space, and filing supplies during the first five years of operation are estimated to total over $730,000. Without this system, the problems cited above will worsen as additional documents are received for filing and storage and the Commission continues to operate under an inefficient, inaccurate, and costly manual system.

Decentralized Computer Process - Mass Media Bureau:
For several years the Commission has been considering the concept of decentralized computer processing. The term "migration" has been used to describe the movement of systems from a congested Honeywell mainframe computer to a smaller, more efficient minicomputer concept. Included in the migration concept is the assignment of computer programmers to the user. The Mass Media Bureau was selected as the pilot migration organization. Funds were in the Commission's originial FY 1986 budget to purchase the necessary equipment to conduct this pilot project. Due to the Gramm-Rudman sequestration, these funds were eliminated to protect compensation and benefit funds. By reassessing the method of configuring the minicomputers the Commission has been able to reduce the cost of this migration to $318,000. Funds for this improvement are included in the FY 1987 budget but would have to be eliminated in a $90 million budget scenario. The effect of the deferral of the Mass Media migration will result in continued congestion on the Honeywell, less effective automation efforts for Mass Media, and delays in broader implementation efforts.

Debt Collection Act Implementation:
As indicated above in the Personnel portion of the justification for our FY 1987 budget level, the absense of the necessary automation tools will delay the Commission's compliance with this Act. Staff and equipment are necessary to implement this requirement. The system will be part of the agency's cash management system which will provide interface with general and other related financial systems. The purchase of the hardware and software necessary will cost $50,000.

Automated Land Mobile Applications Processing System (ALMAPS):
The Commission has successfully improved the processing speeds for several Private Radio Bureau services through the development of the ALMAPS system. $63,000 was included in the FY 1987 budget to complete this project and to cover the remaining services licensed in the private radio area. The lack of funding to complete this system will mean certain services must continue to be handled manually, thus delaying the processing in those services. The resources saved through the automation effort have allowed the Private Radio Bureau to process increasing numbers of applications with a reduced staff.

AM/FM Propogation Models:
$100,000 was proposed in the FY 1987 budget to provide contractual services to further evaluate and develop two computer models needed to improve the speed and accuracy with which applications and waiver requests are processed and for evaluation of proposals for new services, rule changes and technical changes. Sophisticated analytical concepts and techniques are available that, when used with modern computer databases, can greatly improve both the applications processing function and at the same time increase the percentage of unique-case petitions that can be granted. The elimination of the funding for this sophisticated modeling will hinder the "engineering-in" of more radio facilities throughout the country.

AM Interference Studies:
The Commission proposed $48,000 in the FY 1987 budget to provide ADP color graphics equipment to automate the AM interference study program for the International Frequency Review Board (IFRB). The long range benefit of the automation effort is to provide a better, more defensible position for the U.-S. in its international frequency coordination efforts. Without these tools, the Commission will continue its efforts to insure the U. S. position at international conferences.

ADP Systems Development:
As indicated in previous years, the Commission has given considerable emphasis to utilizing automation as a method of avoiding increased staff or delayed authorization of services. $250,000 was included in the FY 1987 budget request to provide contractual support (five workyears of effort) to meet Bureau/Office requirements for development of new and/or to modify existing ADP systems. Some of the proposed development efforts are:

microwave and aviation licensing systems, international frequency coordination, and the Common Carrier land mobile application processing systems. The loss of this funding will require these systems to continue in a manual mode or to use less than sophisticated systems. Some current systems were developed as much as twenty years ago before the advancement of computer technology.

Hyperbus Completion:
One of the items included in the Commission's budget for FY 1987 that would be eliminated is $125,000 to complete the installation of a hyberbus communications link between various computers. The advantage of the hyperbus link is that one terminal can interface with multiple computers. Without the hyperbus, terminals are single computer oriented and thus more terminals are needed. The elimination of this funding will delay other automation improvements due to the lack of the necessary interface links.

Technical Equipment:
An increase of $332,000 is requested in the FY 1987 budget to replace obsolete and malfunctioning equipment. In a budget scenario of $90,341,000, this amount plus another $214,000 in the base funding would have to be eliminated. Since the Commission relies heavily on state-of-the-art communications equipment to perform its critical monitoring function, and with the shortage of staff available to carry out these functions, the elimination of these funds could seriously hamper our monitoring activities and our ability to support other government agencies. Safety of life and interference issues will have slower response times. We would, of course, continue to place the highest priority on safety of life.

Field Automation Network:
$280,000 was included in the FY 1987 budget to complete the field automation network. The network has proved to be a very valuable tool for the field monitoring stations, regional and district offices. The network was begun in FY 1984 to provide field offices with word processing capability and to facilitate efficient data and information exchange. Specific features of the network include automatic printing of violation notices; local storage of the data in the field and direct input of the data into the violations database at Headquarters; unattended message switching; electronic mail and various administrative recordkeeping functions. With the loss of a high percentage of the clerical staff in our small field offices, the completion of this network is critical to the continued efforts of our field staff.

Replacement of Field Vehicles:
The field offices rely heavily on specialized monitoring vehicles to assist in the problem-solving functions of the Commission. A replacement plan has been developed which allows the replacement of vehicles before the repair costs become excessive. In FY 1986 the Commission deferred the purchase of eight vehicles as a part of the sequestration requirement. Further reductions in the proposed FY 1987 budget would require the deferral of

another five vehicles ($60,000). This action could increase repair costs significantly as well as require greater expenditure of staff resources to deal with vehicle malfunctions/unavailability.

Replacement of Microcomputers:
The Commission has established a replacement schedule for its microcomputers to insure continuous, efficient use of automation. Several of the older computers are scheduled for replacement in FY 1987. Funds for three of these replacements will have to be deleted and the replacements deferred if the Commission is authorized $90 million in FY 1987. We will, of course, continue to use the existing microcomputers but we anticipate significant increases to the cost of maintaining these computers. Also, since these computers are no longer manufactured, parts are difficult to locate, causing some delay in repairs. This becomes critical because of the importance automation has come to play in the Commission. The $125,000 set aside to purchase replacement computers may be offset by increases in other accounts.

LPTV Applications Processing (Window):
In anticipation of opening a nation-wide "window", the Commission is proposing to use contract services to perform the data entry from the estimated 30,000 applications expected to be filed. For a one-time cost of $21,000 the data can be entered quickly, without delaying other critical functions associated with the processing of these applications. Without these funds, the information capture will have to be performed by existing staff. This function must be done before the engineering and legal staff can begin their processing. Delays in data entry therefore delay the conclusion of the analysis and thus the grant of authority to construct facilities.

Travel (Domestic, International, and Joint Board):
The FY 1987 Budget Estimates requests a $70,000 increase in travel for our Field Operations Bureau. If the Commission must operate with $90 million, all travel accounts, domestic, international and Joint Board, will be reduced by a total of $380,000. This reduction will affect all programs and activities of the Commission. There will be fewer audits of common carriers, fewer field investigations of mass media licensees, fewer on-site investigations of interference problems, and less participation by Commission staff in international conferences and meetings. Since travel is an essential element in the conduct of Commission business, this could have a detrimental effect.

Other:
The remainder of the reductions required to met a $90 million budget will come from deferral, elimination, or reduction in other expense elements in the Commission's budget. Examples include: reduce shipment of household goods, reduce rental of non-passenger vehicles, defer printing of certain forms, eliminate certain FCC publications (non-mandatory), reduce printing in the Federal Register, reduce subscriptions, and defer purchase of office

in the Federal Register, reduce subscriptions, and defer purchase of office equipment and furniture. While these funds are not as critical as the above items, they all contribute to essential agency operations.

Question: Additional information on standardization of scramber decoders.

Answer: Following passage of the Cable Communications Policy Act of 1984, there were a number of companies developing and attempting to market encryption systems for the cable television industry. It was unclear as to who would be responsible for the encryption and where it would take place. A *de facto* standard for the industry appears to have quickly developed. Home Box Office selected the M/A-Com "VideoCipher II" system for use, and after some consideration of alternative systems by other parties, that appears to be the system that will be used to encrypt all of the cable programming satellite services. Some other systems may be used in connection with foreign satellites and in connection with non-cable programming services. At least the following services, however, are using or are proposing to use the M/A-Com system: BET, CBN, Cinemax, CNN, CNN Headline News, Disney Channel, Home Box Office, MTV, Nashville Network, Nickelodeon, Satellite Program Network, Showtime, The Movie Channel, USA Network, and VH-1. In addition, the technology used in the *de facto* standard system is available for cross-licensing to other equipment manufacturers and the M/A-Com encryption center has been established so that additional programming services can make use of it without significant difficulty.

Question: Additional information regarding intra-state long distance telephone rates and the claim that some people in Kentucky are going out of the state to make long distance intra-state calls.

Answer: We are assuming that by the phrase "some people" you are referring to carriers switching traffic among jurisdictions. The Commission is aware of the potential incentive for carriers to disguise the jurisdictional nature of their traffic when inter- and intra-state access price disparities exist. However, the potential for problems in this regard is limited almost entirely to situations where the interexchange carrier uses non-premium access. Although we are not directly investigating this issue at present, we are working with the states through the Federal/State Joint Board process to ensure the proper measurement of state and interstate toll traffic and the application of the appropriate access charge rate. The Commission has recommended interim use of a reporting system based on the location at which the call enters the long distance network and the called number, with appropriate adjustments in multi-state local exchange or extended area service territories. Under such a system, carriers would generally be prevented from treating intra-state calls as inter-state calls when the only inter-state characteristic is the location of the long distance carriers' facilities outside of the state.

Before the
Federal Communications Commission
Washington, D. C. 20554

PR
FCC 83-584
34078

In the Matter of Establishment of a Class of Amateur Operator License Not Requiring a Demonstration of Proficiency in the International Morse Code.	)	PR Docket No. 83-28

REPORT AND ORDER

Adopted: December 14, 1983 ; Released: December 23, 1983

By the Commission:

Introduction

1. In the Notice of Proposed Rule Making, 48 Fed. Reg. 4855 (February 3, 1983) in this proceeding, we proposed to establish an amateur radio operator license which an individual could obtain without first demonstrating a proficiency in the international Morse code. The proposal was intended to attract intelligent, disciplined persons to the Amateur Radio Service who could make a valuable contribution to the service without such a proficiency. It sought to remove any barrier the code requirement might place in the path of computer-oriented or handicapped individuals otherwise qualified to be amateur operators but for the code requirement.

2. The Notice proposed establishment of one of two kinds of "codeless" operator license classes. One proposal was to eliminate the five word-per-minute Morse code examination element (Element 1(A)) from the existing Technician class operator licensing requirements, with all authorized amateur privileges above 50 MHz. The alternative proposal involved creation of an entirely new license class with qualifications akin to those for the Canadian Digital Amateur Class Certificate.

Background

3. The issue of a codeless amateur operator license has been addressed in past Commission proceedings. In a Notice of Proposed Rule Making in Docket No. 20282, 39 Fed. Reg. 44042 (December 20, 1974), we noted that the Morse code requirement might be a significant barrier to Amateur Radio Service (ARS) entry. In a Notice of Inquiry in General Docket No. 78-250, 43 Fed. Reg. 37729 (August 24, 1978), we considered, among other possible improvements in administering Morse code examinations to handicapped applicants, creating a new class of amateur operator license without a Morse code proficiency requirement and with eligibility restricted to handicapped applicants. In the Third Report and Order in Docket No. 20282, 44 Fed. Reg. 16460 (March 19, 1979), we stated we would like to get fresh comments on the issue and would initiate a new proceeding to do so. The Report and Order terminating General Docket No. 78-250, 47 Fed. Reg. 14197 (April 2, 1982), also discussed the possibility of a class of amateur radio operator license without telegraphy requirements.

Comments

4. Almost 5,000 comments and reply comments were received. 1/ The comments were overwhelmingly opposed to the establishment of any class of amateur operator license not requiring a demonstration of proficiency in the international Morse code. There were approximately twenty comments opposed to a codeless operator class for every comment in favor of such a class. 2/

5. Comments and reply comments in favor of some form of amateur license not requiring proficiency in the international Morse code included those of the Amateur Radio Research and Development Corporation (AMRAD), the Amecom Amateur Radio Club, the Capitol Hill Amateur Radio Society (CHARS), the Centralia Wireless Association, the Emerson Electric Amateur Radio Club (Emerson), the Garden State Amateur Radio Association, the Northern Illinois DX Association, the Okaw Valley Amateur Radio Club, the Southern Michigan Amateur Radio Team, the Sterling Park Amateur Radio Club, the Tennessee Council of Amateur Radio Clubs and the Willamette Valley DX Club.

1/ The motion of the Capitol Hill Amateur Radio Society (CHARS) to accept its late-filed (August 1, 1983) reply comments is granted. The motion of the American Radio Relay League, Inc. (ARRL) for leave to submit supplemental reply comments on CHARS' late-filed reply comments is also granted.

2/ Many comments, such as those of Donald L. Stoner, which included "a proposal for the creation of a computer hobbyist license class," were alternative suggestions for the type of codeless license to be adopted should we decide to proceed with some sort of codeless license. We are treating these as comments on the proposal rather than as separate petitions for rule making. In view of the result reached herein, we would entertain future proposals for allocating spectrum separate and apart from amateur radio frequencies for a new computer hobbyist radio service.

6. Comments and reply comments opposed to any form of amateur license not requiring proficiency in the international Morse code included those of the Amateur Radio Association of the Tonawandas, Amateur Radio Post 380 (American Legion, Department of California), the Amateur Radio Transmitting Society of Louisville, the American Radio Relay League, Inc. (ARRL), the Athens Amateur Radio Club, the Bay Area Two-Twenty Group, the Bell Amateur Radio Club, the Beloit Amateur Radio Club, Inc., the Bemidji Amateur Radio Club, the Black Diamond Amateur Radio Club, the Brandon Amateur Radio Society, the Buffalo Amateur Radio Repeater Association, the Butte Amateur Radio Club, the Capeway Amateur Radio Club of Massachusetts, the Central Carolina Amateur Radio Society, the Cleveland Wireless Association, the Concord Brasspounders Amateur Radio Club, the East Bay Amateur Radio Club, the Eastern Shore Amateur Radio Club, the Elmore County Amateur Radio Club, the Emporia Amateur Radio Society, the Estero Amateur Radio Club, the Everglades Chapter of the Quarter Century Wireless Association (QCWA), the Fairfield Amateur Radio Association, the Falmouth Amateur Radio Association, Inc., the Findlay Radio Club, the Flathead Valley Amateur Radio Club, the Grande Ronde Radio Amateurs, the Great Circle Shortwave Society, the Greater Milwaukee DX Association, the Greater Toledo Amateur Radio Association, the Green Fox Amateur Radio Club, the Grumman Amateur Radio Club, Hancock Emergency Amateur Radio Services, Inc., the Hendricks County Ham Club, the Hoodview Amateur Radio Club, the Houston Echo Society, the Idaho Society of Radio Amateurs (Magic Valley Chapter), the Inter-City Amateur Radio Club, the Irwin Area Amateur Radio Association, the ITT Gilfillan Amateur Radio Club, the Jackson Amateur Radio Club, Inc., the Jefferson Amateur Radio Club, the Kettle Moraine Radio Amateur Club, the Lac Qui Parle Amateur Radio Club, the Lebanon Valley Society of Amateur Radio Club, the Liverpool Amateur Repeater Club, the McHenry County Wireless Association, the McMinnville Amateur Radio Club, the Madison Amateur Radio Club, the Metropolitan Amateur Radio Club, the Metuchen Amateur Radio Club, the Mid-Oklahoma Reperator, Inc., the Mike and Key Radio Club, the Milton Academy Amateur Radio Club, the Milwaukee Radio Amateurs' Club, Inc., the Milwaukee School of Engineering Amateur Radio Club, the Monongalia Wireless Association, the Murray State University Amateur Radio Club, the Nashua Area Radio Club, Inc., NBS-Brass, the North Alta Loma Repeater Club, the Northrup Radio Club, the Old Post Amateur Society, Inc., the Old Pueblo Radio Club, Inc., the Ole Virginia Ham Amateur Radio Club, the Owensboro Amateur Radio Club, the Pentagon Amateur Radio Club, the Pentucket Radio Association, Inc., Pike Amateur Radio Emergency Services, the Port City Amateur Radio Club, the Portage Amateur Radio Club, the Potomac Valley Radio Club, QCWA, the Radio Amateur Teletypists Society of Minneapolis, the Radio Club of Tacoma, Inc., the Rock River Radio Club, the St. Barnabas Amateur Radio Club, the St. Cloud Amateur Radio Club, the St. Lawrence Valley Repeater Association, the San Antonio Repeater Organization, the Santa Rosa Amateur Radio Assoication, the Schenectady Amateur Radio Association, Inc., the Sharon Amateur Radio Association, the Shiawassee Amateur Radio Association, the Sierra Nevada Amateur Radio Society, Inc., the Sioux Falls Amateur Radio Club, Inc., Sonoma County Radio Amateurs, Inc., the South Georgia Amateur Radio Club, the South Texas Amateur Radio Society, Inc., the South Texas Amateur Repeater Club, Inc., the South Towns Amateur Radio Society, the Southeastern DX Club, the Southern California 220 Spectrum Management Association, the Southern California Repeater and Remote Base Association (SCRRBA), the Southern Oregon Amateur Radio Club, the Steubenville-Weirton Amateur Radio Club, the Story County Amateur Radio Club, the Suburban Amateur Repeater Association, Inc., the Texas DX Society, the Texas VHF-FM Society, the

Thibodaux Amateur Radio Club, the Thumb Amateur Radio Club, the University of Minnesota Amateur Radio Club, the Valley Amateur Radio Association, the Valley of the Moon Amateur Radio Club, the Viking Amateur Radio Society, the West Valley Amateur Radio Association, the Western Piedmont Amateur Radio Club, the Wood County Amateur Radio Club, the Worthington Amateur Radio Club and the York Radio Club. 3/

Summary of Decision

7. For the reasons set forth in the discussion below, we have determined that it would not be in the public interest, convenience or necessity for the Commission to establish a class of amateur operator license not requiring a demonstration of proficiency in the international Morse code. 4/ We reach this determination on the basis that: (1) a five word-per-minute (wpm) code requirement does not constitute a significant ARS entry barrier; (2) knowledge of the Morse code continues to be relevant to everyday usage in the ARS; and (3) a Morse code requirement for every license class is important to maintaining the traditional public service role of the ARS in emergencies involving public safety and the national defense.

Discussion

I. Morse code as an entry barrier.

A. The general public.

8. We received many comments from persons who indicated that the Morse code was a barrier for them in joining the ARS. For instance:

> I am not a licensed amateur radio operator. I have a technicians degree from the Cleveland Institute of Electronics and a Batchelor of Science degree in Electrical Engineering from the University of Tennessee. I know that I can pass the technical exams for amateur licensing. At this time the Morse code is the major obstacle between me and my amateur license. Comments of John D. Triplett.

3/ Donald B. Nowakoski's Petition to Cancel or, in the alternative, Amend is denied as an invalid petition under Section 1.773 of the Commission's Rules (this is not a petition for suspension or rejection of a new tariff filing). However, this petition will be treated as a comment in opposition to the proposed rule making.

4/ As a result of this determination, we do not reach the question of which type of "codeless" license would be most appropriate.

Some commenters alleged personal learning barriers. Others indicated that they cannot find the time to learn the code.

9. To the extent a "code barrier" exists, it appears to be an attitudinal one. M. Hoshiko, faculty advisor and trustee of the Southern Illinois University Amateur Radio Club, said that very few electronics students are willing to study the code to become hams. The unwillingness to study Morse code may reflect a perception that it is an outmoded form of communication. Edward Novak commented that most individuals who will not study the code are refusing to submit to what they perceive as an obsolete "ritual" requirement that they feel will have no application for them beyond gaining them their ham licenses. (See paragraphs 24-28, infra.)

10. Sometimes, a lack of willingness to study Morse code appears to be related to fear of its difficulty. One Morse code instructor stated that he has "... observed an initial apprehension of learning the international Morse code which usually accompanies the thought of learning something like an abstract foreign language." Comments of Gary L. Crown.

11. Those who do study Morse code appear to have few problems with the five wpm requirement. Instructors of code and theory commenting in this proceeding agreed that anyone can, with study, establish Morse code 5 wpm proficiency. Several instructors told us that no successful electronics students in their classes who really wanted an amateur license had failed to learn and pass the code test.

12. Significantly, instructors of code and theory also agreed that younger students have little or no difficulty in mastering Morse code. John B. Mollan stated that younger students have difficulty with the "theory" rather than the code requirements. John C. Hallyburton, Sr. indicated that he has experienced no difficulty in training both Cub and Boy Scouts in Morse code. And Francis J. D'Auria said that his average student learns the code with fifteen hours of study and practice, and some youngsters learn the code in eight to ten hours. 5/ Melvin C. Vye, an associate professor of electronic technology at the University of Akron, indicated that young people with an interest in computers -- one of the groups targeted as a basis for the Notice in this proceeding -- have the least problem of any group in mastering Morse code.

13. Many commenters hastened to point out that a Morse code requirement cannot be much of a barrier to ARS entry, because "... (s)everal hundred thousand licensed Amateurs have learned Morse code and successfully passed code examinations in order to achieve a license." Comments of Richard A. Stiern. Martin D. Shapiro correctly pointed out in his comments that over the past 50 years the number of licensed amateur operators has increased from 30,000 to in excess of 400,000, or roughly 1300%.

5/ Daniel and Claire Rosenbaum referred to the Department of the Army Technical Manual TM 11-459 and the Department of the Air Force Technical Order TO 31-3-16, entitled International Morse Code (Instructions). According to this joint publication an average person can learn to send and receive Morse code with 15-22 hours of study, based on sending and receiving proficiencies tested at one continuous mistake-free minute.

14. In disputing the Notice's reliance upon a 1971 study referred to in Docket No. 20282, the Pentucket Radio Association, Inc. stated that from 1976 to 1980 the number of ARS licensees grew by 35%, adding over 100,000 persons to the Service. The Radio Operators Association of New Bedford pointed to the growth in numbers of Licensed Amateurs between 1973 and 1980 of nearly 200% Novice, 27% Technician, 30% General, 38% Advanced and 100% Amateur Extra Class licensees as evidence that Morse code requirements are not deterring ARS expansion.

15. The most recent Commission statistics showed continued increase in the number of amateur operators in fiscal year (FY) 1983. In FY 1983, the total number of amateur operators grew to 410,767 for a net gain of 4,339 operators (20,940 new operators balanced against a loss of 16,601 operators). We conclude that the Amateur Radio Service is a healthy, growing service which has attracted large numbers of new licensees over the past decade. Its growth is continuing. The Morse code requirement does not appear to have critically affected the entry of new licensees into the Amateur Radio Service.

16. We conclude that a five wpm requirement for proficiency in the international Morse code is not an unreasonable burden upon license applicants. Members of the general public, particularly younger students with developing interests in electronic technology, radio and computers, are capable of learning the international Morse code at a proficiency of five wpm without undue difficulty. We conclude that to the extent a Morse code requirement acts as a bar to ARS entry for some, it is a necessary trade-off for the present nature of the Amateur Radio Service.

B. Computer interests and the ARS.

17. Bash Educational Services, Inc. (Bash) expressed the view that the implementation of a codeless Technician Class license would not greatly increase the ranks of amateur radio operators but would enhance the Service with the input from the more technically oriented youth in the United States. On the other hand, the Emerson Electric Amateur Radio Club (Emerson) acknowledged the affinity between home or personal (hobby) computing and amateur radio, as evidenced by packet radio, AMTOR, microprocessor RTTY, keyboard keyers, and code readers. But Emerson stated that the development of a body of pseudo-communicators who are little more than "appliance operators" would not be a significant step in merging the two interests.

18. Some commenters, such as William M. Pasternak (Pasternak), executive producer of Westlink Radio News, felt that while amateur radio and computer interests may overlap, most young computer users have no interest in amateur radio. Instead they pursue information retrieval and exchange through the use of modems interconnected with the public switched telephone network to access commercial computer networking organizations such as "The Source" and "Compunet."

19. After reviewing the comments, we conclude, as the ARRL stated, that:

> ... there is no evidence that younger, school-aged individuals whose primary interest is in computer technology will be attracted to amateur radio through the medium of such a license.... an interest in computer operation by no means connotes an interest in radio communications.

C. Handicapped applicants.

20. The vast majority of comments opposed implementation of a codeless license on the basis of a need to accommodate handicapped applicants. The only comments favoring any sort of special codeless license for the handicapped were the comments of some who, while generally opposed to a codeless license, acknowledged that they did not want to bar entry to the ARS on the basis of a person's handicap.

21. Comments from handicapped people themselves and from people who assist them in learning code and theory in order to successfully complete amateur operator examinations strongly opposed a codeless license for the handicapped. The Pentucket Radio Association, Inc. pointed out that in responding to PR Docket No. 78-250, handicapped Amateurs were not asking for a special license or elimination of requirements but instead sought acknowledgement of an individual's handicap and permission to use special techniques so that they may take the same examination as everyone else. Reo DePew expressed the view of a majority of handicapped amateurs when he stated that a "no-code" license would be unfair to them and rob them of some of their pride of accomplishment.

22. Perhaps the most telling and persuasive comments of all on this subject are those of the Courage HANDI-HAM System, an international non-profit service organization which provides amateur radio educational services, equipment and fraternity to people with physical, sight, speech and/or hearing handicaps. They stated:

> We must strenuously object to the argument that people with physical handicaps are prevented from being able to successfully complete a Morse code examination. Extensive experience in training over 5,000 severely handicapped people proves otherwise. In only six cases over the past 16 years have we encountered a situation where a physical (as opposed to mental) disability has absolutely prevented an individual from learning the code at the prescribed speeds! The Courage HANDI-HAM System has developed learning methods and transcription techniques which bring the International Morse code well within the abilities of severely handicapped persons.

> Of perhaps even greater significance is the reason WHY so many severely handicapped Radio Amateurs put forth tremendous effort to learn the code at speeds which permit fast and reliable on-the-air communications: for many, the Morse code is the ONLY means of communications available to them. You must realize that the very person who is so severely handicapped that he has a great deal of difficulty transcribing the code is precisely the person who, by reason of severe speech involvement with his physical handicap, NEEDS the code to communicate. Comments of the Courage HANDI-HAM System.

23. We conclude that physical disability, in other than extremely rare and exceptional circumstances, does not prevent handicapped persons from learning the Morse code and successfully completing Morse code examinations. We have made every effort to accommodate the handicapped in Commission - administered amateur operator examinations. We have promulgated rules to assure that the handicapped will be similarly accommodated under the new amateur volunteer examiner program. See e.g. 47 C.F.R. §97.26(g). Generally, the handicapped go to extraordinary lengths and are extremely resourceful in designing methods to achieve code proficiency. Handicapped applicants are justifiably proud when they master the Morse code. They wish to be treated as co-equals in the Amateur Radio Service; not as a special group needing a special license. Thus, considerations for handicapped applicants do not appear to warrant creation of a codeless license.

II. Relevance of Morse Code.

24. Comments supporting the proposals in the Notice claimed that knowledge of the international Morse code is irrelevant in today's ARS. In its Reply Comments, CHARS stated that it is not even necessary to have any Morse code skills to utilize the code because inexpensive home computers interconnected with radio transmitters and receivers are generally capable of transmitting and receiving Morse code at speeds between 1 and 99 words per minute. Harold A. Wilson commented that with current technology almost all communication above 50 MHz on the amateur bands is FM. David A. Miller stated that at the Technician level "99% of UHF and VHF communication is voice communication."

25. The comments on this subject are conflicting, with a large preponderance of comments of the opposite view. Alfred G. Conte, Jr., stated that the proposal for a codeless license equates with a proposal to do away with the instruction of arithmetic in elementary schools due to the prevalence of inexpensive pocket calculators. Many commenters, like Charles E. Daum, pointed to the survey conducted by Florida State University's Institute for Social Research, cited in the Notice, in which 83% of the amateur operators responding said that a Morse code requirement is either essential or important for operator privileges below 30 MHz, and 64% said that such a requirement is essential or important for operator privileges above 30 MHz.

26. Emil Pocock commented that Morse code has many applications today above 50 MHz. He said that it is used for weak-signal communications, which is an important and widely pursued art in the VHF and UHF bands. Edgar Herbert Callaway, Jr., further explained that such weak signal work included:

> ... the use of low-noise transistors, power amplifiers, high gain antennas, stable narrow-band receivers, etc.... The first amateur EME (moonbounce) contact was made using Morse code. Also the first meteor-scatter contacts on 144, 220, and 432 MHz. The pioneering California-to-Hawaii 144 and 220 MHz contacts by W6NLZ and KH6UK (2540 miles, discovering truly long-haul tropospheric ducting in the tropics) were made via Morse code.... Most of these contributions to the amateur radio service and the radio art in general were made by operators with ability, yes, state-of-the-art equipment, yes, but they all required Morse code. The contemporary equipment did not allow for the extra 3- to 10-dB of signal strength needed for another mode. There would have been no breakthroughs without Morse. Comments of Edgar Herbert Callaway, Jr.

27. There is also much evidence that Morse code is used frequently above 144 MHz. Matthew V. Ellsworth commented that it is often used in the two-meter and 440 MHz bands for communications with earth-orbiting satellites. He also stated that most automatic repeating stations identify by using a code generating device. Geoffrey H. Krauss said that even recent VHF contests reflect substantial Morse code usage. Richard A. Stiern commented that the Morse Code is still used extensively by the Armed Forces and the Merchant Marine because of its reliability under any circumstance. Joseph M. Rice stated in his comments that 99% of the present OSCAR satellite work is done using Morse code.

28. We conclude that Morse code still occupies a significant place in day-to-day amateur operation, particularly in the HF bands. The Morse code is used normally on VHF and UHF frequencies in conjunction with weak signal communications. The Morse code is relied upon heavily for experimentation and the development of new technological advances. The Morse code, rather than being irrelevant or obsolete, continues to be an integral part of amateur radio.

III. Use of Morse Code in Civil Emergencies and for National Defense.

29. In extensive comments, Donald Godward set forth the basic philosophy of those commenters who believe that Morse code is no longer needed for amateur responsiveness in civil or military emergencies. He stated that the advent of all solid state SSB transceivers, VHF-FM gear, and RTTY equipment has essentially eliminated the need for CW in emergency operations. He said that modern SSB/FM/RTTY equipment is so small and light that it is highly portable and its power requirements are so compatible with modern batteries and portable power generators that there is no longer any real advantage to CW in emergency operations, even in terms of being able to "get through." The Mississippi Emergency Management Agency said that modern digital techniques are preferable to code for getting a message through. CHARS stated that most emergency communications in fact utilize voice, either sideband or FM.

30. However, most individuals and groups involved in amateur emergency communications urged retention of a code requirement for all amateur operator licenses. Many amateur operators brought our attention to specific instances of emergency communications that were possible only with the use of Morse code, such as this year's tornado and floods in Southeast Missouri, life threatening emergencies at sea handled by the Maritime Mobile Service Net, the rescue of the crew of the *Jala Morari*, and the rescue of the crew of a sinking ship in the Straits of Juan de Fuca. Al Uvietta, Communications Support Group Coordinator for the City of San Antonio, Office of Emergency Management, and Hancock Emergency Amateur Radio Services, Inc., a group of about twenty-five amateur operators banded together by the need for emergency communications during tornadoes, floods and other disasters, commented that Morse code is more effective in getting through when communications are affected by weather, poor propagation and interference. Most commenters still view Morse code as the communications mode of last resort for the worst conditions. See, e.g., Comments of Ralph V. Anderson; Comments of James W. Partin.

31. Many commenters, including the Southern California Repeater and Remote Base Association (SCRRBA), were concerned that the anticipated growth of the ARS if we adopt a codeless license would adversely impact already-crowded repeater operation in large urban areas, with resultant detrimental effect upon emergency communications capability. The Story County Amateur Radio Club pointed out that a Morse code requirement for every amateur operator license assures maintenance of a pool of skilled amateur operators available to provide communications for the public in emergencies.

32. Several years ago, the U.S. military services "de-emphasized" the use of Morse code as a modern communications tool. Now there is a major push in the U.S. military services to re-train their radio operators in the proficient use of Morse code. In the Air Force, for example, all ground radio operators must be proficient at five words per minute before March 1, 1984. They have two years to reach ten words per minute and three years to reach 15 wpm. See the Comments of Gene Kremin. Henry M. Wymbs, an Army Signal School graduate and former member of the Second Signal Service Battalion in World War II commented that amateurs having a knowledge of the international Morse code have always formed a trained cadre of communicators upon which the military has always depended.

33. A letter to the ARRL from Mr. Oscar A. Goldfarb, acting Deputy Assistant Secretary for Logistics and Communications, U.S. Air Force, stated that "(s)hould the Commission adopt the 'No-Code' proposal, we would establish a requirement for Morse code proficiency as a condition for becoming an Air Force MARS member." See the Reply Comments of the American Radio Relay League. The Central Intelligence Agency (CIA), in a full-page advertisement for Electronic Technicians, Communicators and Radio Operators published in the June 1983 issue of Signal Magazine and appended to the comments of Philip B. Petersen stated that "Morse code ability at 12 gpm [wpm] is preferred; other applicants will be tested for Morse aptitude."

34. We conclude that a proficiency in the international Morse code is still very useful for amateur responsiveness in civil and military emergencies. In such emergencies, it is the principal communications mode of last resort in the face of uncertain propagation characteristics or severe interference. Due to international language barriers, it is sometimes the only effective communications mode. It is in the public interest, convenience and necessity to maintain a pool of skilled amateur operators available to provide emergency communications for the public during disasters and for the national defense. Continuance of a requirement for proficiency in the international Morse code will contribute to continued maintenance of such a pool. Clearly, Morse code is a fundamental communications skill critical to the nature of the ARS. 6/

35. Foreign Codeless Experience. Many commenters, including Edward C. Simmons, stated that Canada has very few codeless class licensees because of a much more difficult examination than we proposed for either alternative U.S. codeless class license. On the other hand, a large number of commenters attributed the substantial growth of Japan's amateur radio service (from 70,000 licensees in 1965 to over 1,000,000 licenses in 1982) directly to Japan's easy-to-get codeless class license. 7/ Our proposals fell somewhere between Canada's and Japan's codeless licenses. Neither country's experience appears directly applicable.

36. Impact of a Codeless License Upon ARS Compliance. Many comments opposing the proposal feared that a codeless amateur operator license would really be no more than another Citizens Band Radio Service, with what they perceived to be all its attendant problems. The Ozaukee Radio Club and the Inter-County Amateur Radio Club expressed concern that the amateur radio spectrum not be abused, as in Citizens Band. Pasternak commented that investigations by him and his news service reveal that such a license will initially be looked upon as an extension of Citizens Band Radio, to be mass marketed to the general public in a way similar to the way Citizens Band Radio was in the 1970's.

37. Coupled with this fear is a belief held by many commenters that rule compliance and dedication to public service in the ARS is a function of the time and effort a person must expend in obtaining a license. See, e.g., Comments of H. T. Hunt; Comments of the American Radio Relay League, Inc. The Honorable Lee H. Hamilton, U.S. House of Representatives, stated that the praiseworthy performance of ham operators during emergencies and their dedication to radio demonstrates a level of discipline which may be damaged by any relaxation of standards.

6/ In the Marine Radio Service we have granted an exemption from radiotelegraph requirements to large cargo vessels operating on U.S. coastwise voyages where such vessels carry an array of alternative communications equipment including a satellite ship earth station. Report and Order, PR Docket No. 79-336 (FCC 82-75), February 14, 1982. ARS operators, on the other hand, generally provide emergency assistance to people in situations where other methods of communication are not available.

7/ Emerson commented that 95% of the Japanese amateur operators hold Telephony class (codeless) licenses. They also commented that one-third of England's amateur operators and 40% of Germany's amateur operators hold codeless licenses.

38. A contrary minority view, expressed in the comments of Frederick J. Glenn, is that the present written examination requires a sufficient demonstrated effort at learning. Corwin D. Moore expressed sentiments similar to those of Charles E. Cohn, who stated:

> Code lovers threaten us with CB-type chaos and insanity if the code requirement is dropped or loosened. The flaw in that argument can be readily seen if you note that a good many of the hams that have been disciplined for malicious interference have been Extra Class licensees, and thus have demonstrated code mastery, not just at 13 wpm, but at 20 wpm! Comments of Charles E. Cohn.

39. Nonetheless, the majority of commenters anticipated a large influx of undisciplined licensees as a result of either proposal in the Notice. The Pentagon Amateur Radio Club and others said that "weak signal" experimenters, such as those engaged in experimenting with extended range terrestrial modes of VHF/UHF communications and those involved in earth-moon-earth (EME) or "moonbounce" modes, and amateurs using satellites as relay platforms are justifiably concerned that a larger and potentially less well disciplined population of amateurs may not respect the up-to-now voluntarily imposed frequency management procedures necessary for these experiments to be conducted.

40. We are not persuaded that there is a relationship between the time and effort expended to successfully complete Element 1(A) (the Morse code 5 wpm examination) and the rule compliance or dedication to public service of a particular applicant. We believe it is not possible to predict reliably the behavior of prospective codeless licensees. Accordingly, we do not find this issue significant to our resolution of this proceeding.

Conclusion

41. The five word-per-minute slow speed Morse code requirement for the present entry-level Novice and Technician class licenses in the ARS does not appear to constitute a significant functional barrier to potential applicants. The amateur ranks are growing by thousands of licensees every year with the code requirement in effect. To the extent the Morse code requirement poses a barrier for a few, we are willing to accept that "trade-off" in light of the very substantial benefits it produces both for licensees and the public.

42. The five word-per-minute Morse code requirement poses no unacceptable burden for handicapped applicants. Ingenious devices, alternative methods of examination administration, and the laudable dedication and perseverance of handicapped applicants in combination usually result in successful completion of the Morse code examination. Licensees in the ARS who are handicapped are proud of their achievement in mastering Morse code, and generally do not seek special treatment.

43. There is still substantial everyday use of the Morse code in the ARS. The international Morse code is essential to many aspects of technical advance and experimentation in the ARS today. It is a fundamental communications skill critical to the nature of the ARS.

44. A requirement for proficiency in the international Morse code is necessary in order to insure maintenance of a trained pool of amateur operators for emergencies involving the safety of life or property or for the national defense. Dropping this requirement for an entry-level license would adversely affect amateur emergency communications capabilities, which would adversely affect the public.

45. It is unusual to receive the volume of comments we have received in this proceeding. Almost five thousand people and organizations responded to the Notice. They were mostly people licensed in the ARS who use their privileges on a regular basis. They were people who, by a margin of roughly twenty to one, expressed an overwhelming sentiment to maintain the current nature and makeup of the service. They felt that Morse code is an integral feature of the ARS. These commenters are the people who have made the ARS what it is today -- a service that is a model of public responsiveness in times of emergency and distress, and a service that is a model of self-enforcement and volunteerism. The strong sentiment they expressed in this docket about the nature of such a service is a critical factor in weighing the proposals.

46. For all the above reasons, we have decided to reject each of the proposals set forth in the Notice and to retain the present licensing structure of the Amateur Radio Service.

Procedural Matters

47. In the Notice of Proposed Rule Making, supra, in this proceeding, we previously determined that Sections 603 and 604 of the Regulatory Flexibility Act of 1980 (Public Law 96-354) do not apply to this rule making proceeding since this proposal would only have amended the operator license class structure of the Amateur Radio Service. There would have been no significant impact on small businesses, small organizations or small governmental jurisdictions. Of course, since we are terminating this proceeding without action, there is no impact at all.

48. IT IS FURTHER ORDERED that the Petition to Cancel or, in the alternative, Amend filed by Donald B. Nowakoski IS DENIED.

49. IT IS FURTHER ORDERED that the Motion for Leave to File Reply Comments filed by the Capitol Hill Amateur Radio Society IS GRANTED.

50. IT IS FURTHER ORDERED that the Motion for Leave to Submit Supplemental Reply Comments filed by the American Radio Relay League, Inc., IS GRANTED.

51. IT IS FURTHER ORDERED that this proceeding IS TERMINATED.

52. IT IS FURTHER ORDERED that the Secretary shall cause a copy of this *Report and Order* to be served upon the Chief Counsel for Advocacy of the Small Business Administration and that the Secretary shall also cause a copy of this *Report and Order* to be published in the Federal Register.

53. For further information on this proceeding, contact John J. Borkowski, Federal Communications Commission, Private Radio Bureau, Washington, D.C. 20554, (202)632-4964.

FEDERAL COMMUNICATIONS COMMISSION

William J. Tricarico
Secretary

Questions from Chairman Smith

Question: INTELSAT COMPETITION

How has the processing of those applications been proceeding?

Answer: A total of six applications have been conditionally granted. Three applications were conditionally granted on July 25, 1985, one on September 5, 1985, one on October 22, 1985, and the last on January 6, 1986. In conditionally granting the applications, the Commission restricted operation of the proposed systems to providing services through the sale or long-term lease of transponders or space segment capacity for communications not interconnected with public switched message networks (except for emergency restoration service). In addition, the Commission said that authority for both launch and operation of separate system satellites shall not be issued unless and until: (1) one or more foreign authorities are to authorize use of each system and enter into consultation procedures with the United States Party under Article XIV(d) of the INTELSAT Agreement to ensure technical compatibility and to avoid significant economic harm; and (2) the Department of State informs the Commission that the United States has completed its Article XIV(d) obligations and that the Commission may proceed with final authorization of a proposed system. A seventh application was filed on March 14, 1985 and is pending action by the Commission.

Question: Is that procedure requiring more manpower and resources than you anticipated in your 1986 budget request?

Answer: No.

Question: You are requesting a reduction of $342,000 related to GSA office space rental estimates.

a) Does this mean that you are reducing the number of square feet that you will be requiring for fiscal year 1987?

b) What is the average per square foot rental cost related to your 1987 budget request?

c) How many square feet will you be utilizing in fiscal year 1987?

Answer: a) No, we will not be reducing square footage for fiscal year 1987. In GSA's RENT Information Package, dated July 15, 1985, GSA negotiated square foot rates for office space were reduced by 15%.

b) The average cost per square foot rental relating to our FY 1987 budget request is $19.52.

c) We will be utilizing approximately 400,665 square feet in fiscal year 1937.

Question: You are requesting an increase for the annualization of new fiscal year 1986 positions for $130,000. -- How many positions are involved in this? -- What is their average grade and salary?

Answer: There are 17 positions involved. Their average grade is a GS-11 and the average salary, including benefits, is approximately $35,000.

Question: You are asking for the restoration of funding to support fiscal year 1987 positions of $504,000. What do you mean by "authorized."

Answer: Our FY 1986 Budget approved by Congress authorized the Commission 1,835 full-time permanent positions. We have assumed this number as our base authorized positions for FY 1987.

The funding for these positions was reduced in the FY 1986 budget request to Congress to reflect an anticipated 5% pay reduction for all government employees. When this reduction did not occur, Congress added to our appropriation all but $504,000 of the funding needed to support these positions. We are asking for the restoration of this funding in FY 1987.

Question: Please discuss the request of an increase of $1,203,000 related to the increased use of automation in your budget request.

Answer: An increase of $92,000 is requested for maintenance, furniture, and supplies associated with the new Uniform System of Accounts (USOA) minicomputer. This system will be used to implement the automation of a revised USOA to monitor compliance with the Commission's requirements for access charges, and allocation of joint costs and compliance with the changes in the requirements for interstate/intrastate separations.

$175,000 is requested for a document image processing system to implement the first phase of a system which will convert hard copy files in the Dockets Branch and Mass Media Bureau Reference Room to storage on magnetic media. The increase in the number of paper files, combined with significant reductions in office space, necessitates the implementation of an automated image processing system as a means of record storage at the FCC. A document image processing system would electronically capture, store, retrieve and display images of paper documents utilizing optical disk storage and high-speed input and output devices. This system will reduce labor costs, minimize the use of prime office space for document storage, improve file integrity by providing access to files other than original documents, reduce filing backlogs and eliminate costs associated with correcting misfiled documents and recompiling lost materials. Workstations will be available for staff and the public to perform document searches, retrievals, and copying, substantially reducing time required for these functions. The required equipment will be acquired competitively on a lease-to-purchase basis in order to keep initial costs reasonable. Savings in personnel costs, space, and supplies during the first five years of operations are estimated to total over $730,000. While the Commission continues to operate under an inefficient, inaccurate, and costly manual system, the problems cited will worsen.

$50,000 is requested to purchase the necessary hardware/software for implementing the Debt Collection Act of 1982. The system will be part of the agency's cash management system which will provide interface capability with general ledger and other related financial systems. With the new system, the Commission will be able to implement more aggressive debt collection for recovering past due debts while recording, tracking, controlling and accounting for all Commission receivables.

$250,000 is requested to provide ADP support for developing and maintaining automated systems. Projects associated with immediate contract programming support requirements include the Payroll Software Improvement Program, the consolidation and development of a Commission-wide microwave data base system, redevelopment of the antiquated Marine and Aviation License Processing Systems and the implementation of a data base designed Common Carrier Land Mobile Licensing system. This effort will be accomplished through contractual support, using contractor personnel to perform computer programming. Resource requirements for new automated systems are double the number of programmers on our staff. Since we cannot expect an increase in our programming staff to meet all the necessary requirements, we must rely on contract personnel. The requested funds will underwrite approximately five workyears of general programming support.

$100,000 is requested for contractual services for the evaluation and development of two computer systems to expeditiously process all applications and submissions relating to the audio and video broadcast services. This system will enable the Mass Media Bureau to readily authorize modifications to existing station licenses for improved broadcasting service on a routine basis, and process applications for new stations on the basis of specific engineering considerations, rather than on general purpose allotment tables. Currently, FM and TV applications are processed using techniques and rules which were originally adopted for manual processing and subsequently computerized. The proposed systems would replace many of the techniques with a comprehensive set of programs incorporating sophisticated analytical techniques and modern data bases. These will include programs that can address more complex situations and will be faster and more accurate than techniques now in use. There system will permit a more realistic and a more comprehensive evaluation of proposals and alternatives with no increase in staff.

$63,000 is requested to support our Automated Land Mobile Applications Processing (ALMAPS) system for the Private Radio Bureau which processes 85% of all licenses at the Commission. These funds will upgrade/provide computer equipment, furniture and supplies to allow for the completion of ALMAPS. The addition of the requested hardware will permit the incorporation into ALMAPS of sophiscated software to automate antenna survey (tower) checks and frequency assignment checks. With these added computer programs, it will be possible to safely issue selected land mobile licenses without human intervention. The result will be improved speed of service to the public and a reduction in the number of applications examiners required to process the increasseingly complex applications receipts associated with system licensing.

$280,000 is requested to purchase additional terminals and printers and to upgrade microcomputers which were installed at 40 field office locations nationwide over the past several years. This will improve significantly the processing of tower construction permit applications and upgrade the word processing capability at each field office location.

$51,000 is requested to support the increased usage of the automated legal research service (LEXIS) and to purchase ADP software for the Office of General Counsel's automated tracking system to enable that office to maintain efficient records concerning the Commission's rapidly increasing litigation caseload, provide attorneys quick access to information concerning pending and closed cases, decrease case backlog and provide current status and reference data on all project activities.

$83,000 is requested for Mass Media Bureau (MMB) activities. $40,000 is required to purchase ADP color graphics equipment for the Policy and Rules Division in order to automate the AM interference study program for the International Frequency Board; for providing the use of color graphics for the plotting of groundwave and skywave contours as well as rapid identification of areas of interference, for expediting the study of foreign AM broadcast notifications and for the resolution of incompatibilities during bilateral negotiation; $9,000 is required for the purchase of office automation equipment for the Enforcement Division's hearing and adjudicatory activities. $8,000 is required to purchase equipment which will permit automated plotting of existing and proposed microwave systems in support of Community Antenna Relay Service (CARS) applications processing, thus eliminating the requirement to maintain manually drawn maps of microwave systems. $5,000 is required to purchase ADP software to support the Radio Marti and Low Power Television Applications Processing minicomputer and for general graphics applications. $21,000 is required for service contracts to provide license applications data transcribers to process data received during the next open "window" filing for the Low Power Television Service.

$38,000 is requested for our Common Carrier Bureau activities. $26,000 is required to purchase personal computers to improve the efficiency of audit teams and reduce the amount of staff time required to complete an audit. $12,000 is required to provide plotters to upgrade engineering methods for Microwave, Multipoint Distribution, Satellite, Land Mobile and Cellular Services.

$21,000 is requested for the purchase of a personal computer to perform engineering analysis for the Licensing Division of the Private Radio Bureau, and to purchase a microcomputer to automate the coordination/registration of proposed satellite networks for the Office of Engineering and Technology.

Question: You are requesting $332,000 as an increase for replacement of obsolete aging technical equipment. Could you not forego this increase for one more year, and therefore save the $332,000?

Answer: This request is for two Activities; Science and Technology and Field Operations. For our Field Operations Activity we are requesting an increase of $266,000. This increase constitutes only a small portion of the actual requirements. In 1984 we conducted a study examining what was necessary to establish our minimum complement of technical equipment at an acceptable operational level. The amount required was $5.6 million in one year, or $7.5 million over five years. We estimated that it would require $1.7 million in FY1985 and FY1986 to replace equipment which was totally disfunctonal. In FY 1985 we spent $428,000 to replace equipment. Although $533,000 was authorized for FY 1986, only $94,000 remained after the Gramm-Rudman-Hollings sequestration action. In these two fiscal years (FY1985/FY1986) where a requirement for $1.7 million in new equipment was identified, we actually were able to spend only $522,000. This means that even if the additional funds for FY 1987 are approved, we will have a shortfall in this account of over one million dollars. Delays in replacing this equipment could have serious consequences on our monitoring efforts.

$66,000 of technical equipment has been requested for the Science and Technology Activity. As with the Field Operations Activity the equipment budget for the Science and Technology Activity has declined dramatically over the last several years, during a time of unprecedented technical innovation and the introduction of new communications services. Additionally, the Commission's deregulatory efforts have created the necessity for greater emphasis on an equipment sampling program to assure that harmful interference is kept to a minimum. Specifically, the Commission's decision in August 1985 (Docket 20718) to place microwave ovens under certification rather than type approval will require extensive post-grant sampling. A new microwave receiver and an automated test stand controller are urgently needed to replace equipment which is obsolete and for which replacement parts are no longer available. It is clear that a "crunch" will occur as we are unable to repair old equipment and as new services depend on devices which we are not equiped to test. We believe that the request for $66,000 will allow us only enough funds to replace equipment that can no longer be repaired.

Question: You are requesting $280,000 for the Uniform Systems of Accounts (USOA) to complete system development. What have been the total costs related to the completion of the primary system development? What are the total costs with the Uniform Systems of Accounts?

Answer: To date there have been no expenditures of funds to develop the USOA Automated System. Considerable staff time, however, has been expended in preparation for this effort. FY 1985 funding for USOA of $78,000 was reallocated to employee compensation and benefits. FY 1986 funding of $220,000 was eliminated due to the Gramm-Rudman-Hollings sequestration. Total program assistance funding requirements for the USOA Automated Systems are:

FY 1987	-	$ 500,000
FY 1988	-	$ 605,000
FY 1989	-	$ 390,000
		$1,495,000

Question: You are requesting $256,000 and 10 positions for field operations to improve monitoring and investigations. Please provide for the record what your base level of activities are, how many positions are associated with that for field operations, and what these additional 10 positions will do in order to improve your monitoring and investigation activities in the field?

Cannot this be conducted by existing personnel? What are the workload factors requiring this additional increase?

Answer: The Commission presently has 337 positions assigned to field installations of the Field Operations Bureau . Since 1979, the field staff has been reduced by 89. total. As we approached this level, it became obvious that we no longer had the staff required to perform all required activities.

Accordingly, we have notified, via the State Department, other countries that we can no longer provide signal sampling information. We have also ceased most domestic signal sampling.

Further, we cannot always respond in a timely manner to other agency requests for assistance due to closed watches at our monitoring stations which resulted from the smaller staffs. Other government agencies include Coast Guard, the FAA, Customs Service, the Department of Defense and White House Communications.

We have also curtailed inspections of broadcast stations, including those inspections pertaining to the nation's Emergency Broadcasting System. Short term reduction is probably acceptable, but the number of problems previously unearthed through these inspections show the program should be restored.

With the 10 new positions, requested the Field Operations Bureau will again be able to maintain monitoring net on a 24 hour basis available for immediate response to assist agencies in safety of life and property activities, as well as priority law enforcement activities. The Bureau will also be able to resume a minimum level of inspections to assure a functional national Emergency Broadcasting System. Also, we would have staffing to prevent cable system leakage from causing interference on aviation frequencies. Finally, the additional workyears would allow us to resume the minimum level of necessary activities designed to prevent illegal equipment imports and sales.

Question: You are requesting for your Mass Media function $132,000 and five additional positions to handle low power window and TV assignments and transfers. Exactly how will these positions be utilized? What are the existing personnel resources within your base program to handle these types of activities? Can't lower priority projects be foregone in order to accommodate this demand?

Answer: $67,000 is requested in FY 1987 for the Low Power Television service to hire three file clerks and to contract for the services of five data transcribers. A national filing "window" is expected to open for LPTV during the latter part of FY 1986 with receipts projected to reach 30,200. The last bulk filing received in this program was in FY 1984 when the Commission received 25,000 applications in one week. With some innovative measures, we were able to keep the applications moving. However, we did require additional resources which were diverted from other areas. Due to substantially reduced staff, we no longer have the flexibility to divert resources. The use of additional file clerks and temporary data transcribers will allow the Commission to move applications quickly from receipt to the engineering/legal staff for processing. The additional recources will reduce the time from receipt to full processing by approximately 50%. By using current examiner staff to review and verify engineering data, this time can be reduced as much as 30%.

One position is requested for the Public Reference Room. The current staff has been able to absorb a 26% increase in workload during the past year. However, the anticipated increased workload due to the opening of the LPTV "window" simply cannot be accomodated without additional staff. Unfortunately, the Commission already faces an extreme shortage in clerical support making reallocation of staff resources impossible.

In addition, we are requesting one additional attorney for processing television assignment and transfer applications. Since the change to the ownership rules, the Commission has been inundated with requests for assignment or transfer of TV licenses. Not only has the nunber of applications increased, but the complexity and, therefore, the processing time has also increased. Most of the anticipated filings will be high profile, multi-million dollar transactions, with contact deadlines. Failure to provide additional legal resources may delay processing of applications in an area where the Commission has been particularly sensitive to the importance of prompt action.

Question: You are requesting $327,000 for other activities. Please provide for the record what the detail is that makes up that increase.

Answer: An increase of $70,000 is proposed for travel funds for the Field Operations Activity to maintain an acceptable level of response to complaints of interference, especially in the safety related radio services. $149,000 is requested for alterations and modifications to office space and to replace office equipment and furniture which is no longer economically repairable. An additional $36,000 is required in FY 1987 to meet mandatory financial obligations of the Performance Management and Recognition System (PMRS). The present telephone system at the Commission's Laurel, MD laboratory is 13 years old and needs to be replaced. We are requesting $26,000 for this project. We are also requesting a $20,000 increase in in our Security Investigations account. Executive Order 10450 mandates an increased number of security investigations.

As a result of FCC Docket 83-10, which relaxed the equipment authorization rules for many radio frequency devices, the Commission instituted a post-grant equipment sampling program. To ensure that the samples tested are representative of equipment being sold to the public, a minimum of $18,000 is required to purchase samples for testing. A further increase of $8,000 is requested to fund a joint project with the Environmental Protection Agency (EPA) to study and evaluate problems related to radio frequency radiation hazards.

Questions from Congressman George M. O'Brien

Question: You are requesting an increase in ADP capability to enhance communication with and among your field facilities.

a) What is the total amount you are requesting for this item?

b) Is this a one-time cost only or will you request funds again next year?

c) Please explain how this proposed ADP enhancement will facilitate greater communication.

Answer: a) $280,000

b) All but a minimal amount of maintenance and supply funding is a one-time cost.

c) This is the completion of a project begun in FY 1984 designed to provide field offices with word processing capability and efficient data and information exchange. Better communication will be facilitated by the provision of rapid access to all agency data bases throughout the nation. Frequency assignments, licensee information, information on ongoing investigations in other offices, information on rule changes, notices of proposed rule changes and other Commission activities will be available overnight where such information now sometimes takes several days to obtain. This will improve our ability to serve the public by providing pertinent information to them in a timely manner and will assist investigation of harmful interference, or illegal activities,by assuring that all engineers working on a case have all available information regardless of individual office location. Passing data from computer to computer overnight saves time for employees during working hours. Data transmission by computer is also much faster in a real time sense then voice or normal message traffic, therefore saving telephone line costs. Productivity and efficiency should be improved.

Question: Have any separate satellite systems been put into place to date?

a) If so, please provide for the record the number of systems that are in place and in operation.

b) How many applications are currently pending for the establishment of additional separate systems?

Answer: No systems have been put into place to date. There is one currently pending application for establishment of a separate system.

Appendix

Questions for the record regarding potential Gramm-Rudman-Hollings sequestration levels for fiscal year 1987 for agencies whose hearings have already been published are printed on the following pages. These include the following:

Securities and Exchange Commission
Commission on Civil Rights
Federal Maritime Commission
Department of Transportation: Maritime Administration

SECURITIES AND EXCHANGE COMMISSION
IMPACT IN 1987 OF SELECTED FUNDING LEVELS

The Securities and Exchange Commission's 1987 budget estimate to Congress totals $110,050,000 and requests a net funding reduction of $1,050,000 from the agency's 1986 appropriated level of $111,100,000. Not included in the request is $3,339,000 representing unfunded expenses which the SEC was instructed by OMB to absorb or were imposed by later legislation. Examples include $997,000 in unfunded rate and price increases, $642,000 in unfunded within-grade and merit pay costs, an estimated $500,000 from the new travel expense per-diem rates imposed by P.L. 99-234 and $1,200,000 representing a 30 percent absorption of a 1987 pay increase as agreed upon in the recently passed Consolidated Omnibus Reconciliation Act. The resource impacts of the unfunded costs are included in the following analyses.

Impact of receiving the 1986 appropriation of $111,100,000:

> The SEC would attempt to preserve it's appropriated staffing level of 1,994 staff years. However, an absorption $2,000,000 would be required through an expenditure restriction on various non-personnel services. Included in the latter are travel, printing, data processing development, supplies and equipment.

Impact of receiving the 1986 after-sequestration funding level of $106,323,000.

> A loss of 120 staff years would be required and, if formal notification is given early enough, would be attempted through attrition. This will reduce the SEC's 1986 appropriated staff years by six percent, to 1,874. Non-personnel expenses would be reduced $2,000,000. The immediate impact of this scenario would be an agency-wide reduction in productivity, particularly in the regulation programs. Hardest hit would be the Investment Management program which is expecting workload increases, between 1985 and 1987, of 20 percent in the number of investment companies to be inspected, 2,210 vs. 2,660, and 54 percent in the number of invest advisers, 9,083 vs. 14,000. The SEC's other program activities, including Prevention and Suppression of Fraud, would also be adversely affected.

Impact of receiving a further 8.4 percent reduction to the 1986 after-sequestration level, resulting in net funding of $97,392,000:

> The SEC would be forced to cut its 1986 appropriated staff years 24 percent, to 1,524. This reduction would require an agency-wide hiring freeze for the entire fiscal year and, at minimum, a reduction-in-force of 350 staff at the start of the year. Additional expenditure reductions totalling $3,500,000 would require the severe curtailment of some non-personnel expenses (overtime, travel, supplies, contracts) and virtual elimination of others (alterations, discretionary training, new equipment). At this level of funding, the agency's ability to adequately oversee the securities markets and protect investors would be severely and adversely affected.

The SEC is keenly aware of the funding impacts inherent in Congressional efforts to reduce the deficit. Contingency planning has occurred through the preparation of financial resource analyses at various funding levels and the participation of managers in exercises aimed at minimizing the program impacts of staff reductions.

SECURITIES AND EXCHANGE COMMISSION
PUBLIC PRINTER USAGE

The SEC has developed a very effective inhouse printing operation which has been recognized by the Joint Committee on Printing for its efficiency.

In 1985, the Government Printing Office negotiated a commercial procurement contract for the SEC. However, because the SEC could do the printing in-house at a lower cost, the GPO requested that it cancel the contract.

The contractor and SEC rates are compared below:

Contractor rates -	24 hour service	$16.50 per thousand
	Same day service	$33.00 per thousand
SEC rate -	All services	$12.63 per thousand

UNITED STATES
COMMISSION ON
CIVIL RIGHTS

1121 Vermont Avenue, N.W.
Washington, D.C. 20425

April 14, 1986

ANSWERS TO QUESTIONS SUBMITTED BY THE SUBCOMMITTEE ON THE DEPARTMENTS OF COMMERCE, JUSTICE, AND STATE, THE JUDICIARY, AND RELATED AGENCIES

1. What would be the impact on the activities of each agency in the Department if each agency received the same amount for FY 1987 that was appropriated for FY 1986 before sequestration with no other adjustment for uncontrollable items?

2. If the Department received the same amounts in FY 1987 that it received in FY 1986 after sequestration, what would be the impact on the activities of each agency?

Answer:

The Commission is, and historically has been, a labor-intensive agency: 70% of our costs are for personnel, another 20% fixed overhead. Discretionary amounts are limited to only 10% of our budget request. However, in order to cut costs during FY 1986, we have imposed a freeze on hiring new personnel with limited exceptions on a case-by-case basis. We have cut our managers' stated requirements in overtime pay by 75% and have cut by lesser amounts their travel, supply, and equipment allocations. We have reduced our space utilization by consolidating our Washington, D.C., regional office with headquarters. In addition to these measures, it may be necessary for the Commission to furlough employees in FY 1986. The Commission would be greatly helped in its effort to reduce costs if agencies were given authority to grant early optional retirement ("early out") without effecting a reduction in force.

If the Commission's FY 1987 budget were at the FY 1986 before-sequestration level, the Commission would have to utilize continued or further restrictions on hiring, travel, etc. If the FY 1987 budget were at the after-sequestration level, the agency would again have to consider furlough. Particularly if "early out" authority were not otherwise available, at the after-sequestration level reductions in force and consolidation of regional offices would also be considered.

3. What would be the impact on each of the agencies in the Department if each were to receive a percentage reduction of 8.4 percent below the FY 1986 amount, adjusted for sequestration?

Answer:

Again, the Commission would have to look at ways to reduce personnel costs in the event of such a budget reduction, as our agency is labor-intensive. The likelihood of having to implement reductions in force and consolidate regional offices would increase as the budget decreases.

4. What action is the Department taking to consider these possibilities -- have you formed a task force or done any contingency planning?

Answer:

The Staff Director, in consultation with senior advisers including financial and personnel management staff, has monitored closely the position of the Commission as it strives to meet its FY 1986 sequestration level. This same group continues to consider cost-cutting measures that may be possible and necessary in future years.

5. We are aware that the Public Printer, at the Government Printing Office, has certain initiatives to encourage Federal agencies to take maximum advantage of GPO commercial procurement contracts. Also, the new GPO electronic publishing procurements are now saving very substantial tax dollars. We would like to know what plans you may have to increase your reliance on GPO commercial procurements for both printing and electronic publishing.

Answer:

The Commisssion relies upon GPO to provide or subcontract for all Commission printing, and relies upon the GPO for approximately 90% of our electronic publishing requirement. As new systems at GPO are put into service the Commission anticipates shifting the remaining 10% of its electronic publishing business to GPO.

Federal Maritime Commission
Washington, D.C. 20573

Office of the Chairman

April 14, 1986

Committee on Appropriations
Subcommittee on Commerce, Justice,
  State, and Judiciary
U.S. House of Representatives
Washington, D.C. 20510

This is in response to the several questions you forwarded to Fred Trutkoff on April 1, 1986, regarding the Commission's FY 1987 budget.

Question 1. What would be the impact on the activities of each program in the Commission if each program received the same amount for FY 1987 that was appropriated for FY 1986 before sequestration with no other adjustment for uncontrollable items?

Answer 1. The Commission's budget for FY 1986, before sequestration, was $11,870,000, or $70,000 less than our request for FY 1987. The Commission could absorb this amount with minimal effect on its programs.

Question 2. If the Commission received the same amounts in FY 1987 that it received in FY 1986 after sequestration, what would be the impact on the activities of each program?

Answer 2. Operating in FY 1987 at the FY 1986 level after sequestration would adversely affect all the Commission's programs, but would have the most impact on our ability to hire personnel for programs that were curtailed in FY 1986. Particularly affected would be the Commission's efforts: to develop an effective surveillance and enforcement program; to start a systems design and development phase for the automated tariff filing and information system; and to train personnel in areas dealing with Automated Data Processing functions.

Question 3. What would be the impact on each of the programs in the Commission if each were to receive a percentage reduction of 8.4 percent below the FY 1986 amount, adjusted for sequestration?

Answer 3. Because the Commission's budget is strictly an operating budget, with 80 percent of our budget going to personnel and related expenses, an 8.4 percent reduction below the FY 1986 amount adjusted for sequestration would force us to initiate furloughs and reduction of core programs. Specifically, such a reduction would result in a 16-day furlough for employees, reducing the Commission's ability to effectively fulfill its statutory responsibilities. In addition to the programs mentioned in answer 2 above, the Commission would have to curtail current studies to collect and analyze information regarding the impact of the Shipping Act of 1984 on the international shipping industry, again reducing the Commission's ability to effectively fulfill its statutory responsibilities. This could delay or reduce the value of our report to the Advisory Commission on Conferences in Ocean Shipping due in 1990.

Question 4. What action is the Commission taking to consider these possibilities -- have you formed a task force or done any contingency planning?

Answer 4. The Commission's Office of Budget and Financial Management has prepared preliminary estimates to identify programs and activities that would be affected by various percentage reductions.

Question 5. We are aware that the Public Printer, at the Government Printing Office, has certain initiatives to encourage Federal agencies to take maximum advantage of GPO Commercial Contracts. Also, the new GPO electronic publishing procurements are now saving very substantial tax dollars. We would like to know what plans you may have to increase your reliance on GPO commercial procurement for both printing and electronic publishing.

Answer 5. The Commission is currently involved in a dialogue with Government Printing Office representatives to review and identify publications that can be printed inexpensively by the GPO and how we might utilize electronic publishing methods and techniques.

Sincerely,

Edward V. Hickey Jr.

Edward V. Hickey, Jr.
Chairman

Questions Submitted by the House Appropriations Subcommittee To the Maritime Administration

Impact of Alternative Budgets

Question: What would be the impact on the Maritime Administration if it received the same amount for FY 1987 that was appropriated for FY 1986 before sequestration with no other adjustment for uncontrollable items?

Answer: The 1987 budget requested $320,000,000 for Operating-differential subsidies for subsidy payments under long term contracts which is an increase of $20,500,000. Payments under the terms of these contracts are mandatory and cannot be terminated or otherwise controlled, and the additional funds must be provided if the government is to meet it's contractual commitments.

If 1987 were funded at the 1986 level, this would result in an increase over the request of $4,004,000 for the Research and Development appropriation and an increase of $7,007,000 for Operations and Training.

The 1987 budget proposes that the Research and Development program be phased out during 1987. The budget was accordingly reduced by $4,400,000 to $5,500,000. Thus, the $9,900,000 level appropriated in 1986 is not required.

One major Operations and training program is proposed to be discontinued. The program level of $62,693,000 was to be partially funded by two 1986 program deferrals. The Deputy Secretary of Transportation has announced the Department's intention to proceed with procurement of a training vessel for the New York State Maritime Academy necessitating an adjustment in the 1987 appropriation requested. Should the entire 1986 program deferrals be denied by the Congress, the full program amount of $62,693,000 will be required. However, the $69,700,000 level appropriated in 1986 is not required.

Question: If the Maritime Administration received the same amounts in FY 1987 that it received in FY 1986 after sequestration, what would be the impact on the activities of each agency?

Answer: The Operating-differential subsidies appropriation was exempted from sequestration, and the full amount requested for 1987 will be required for the government to meets its contractual obligations.

Funding in 1987 at the 1986 level adjusted for the 1986 sequestration would result in an increase of $3,974,000 for the Research and Development appropriation, and $4,010,000 for

Operations and Training after adjusting for the Committee's action on proposed deferrals.

Question: What would be the impact on the Maritime Administration if it were to receive a percentage reduction of 8.4 percent below the FY 1986 amount, adjusted for sequestration?

Answer: The Operating-differential subsidies account consists of mandated costs based on 20 year contracts. Thus a $45,658,000 reduction would result in extensive default of U.S. contractual obligations.

The proposed 1987 funding at a level 8.4 percent below the 1986 appropriation adjusted for the 1986 sequestration would result in an increase of $3,178,000 for the Research and Development appropriation, and a reduction of $1,593,000 for Operations and Training. The $1,593,000 reduction cannot be accomodated without decrement to high priority increases requested to design replacement or renovation of the heating plant at the Merchant Marine Academy which has been in continuous use since 1943 ($300,000), and a multi-year program to provide adequate facilities at the three National defense reserve fleet sites ($3,855,000).

The impact assumes discontinuence of financial support to the State marine school program. This program is proposed to be discontinued because there is a continuing and projected excess in the number of merchant marine officers being produced for the workforce and no commensurate reductions in number of individuals being trained as officers through Federal financial support for initial entry into the U.S.-flag merchant marine. The national defense interest in an adequate active merchant marine officer workforce to respond to mobilization requirements is not served by the continuous overproduction by the State marine schools of new deck and engine officers at the officer entry level who have no Federal service obligation. Current professional merchant marine skill concerns for mobilization are being addresed by specific mobilization readiness and training activities for the actively sailing workforce. The State marine school program does not address these needs of the actively sailing workforce. The Administration therefore strongly urges discontinued Federal support for these activities.

Question: What action is the Department of Transportation taking to consider these possibilities -- have you formed a task force or done any contingency planning?

Answer: The Department has not formed a task force. However, the 1987 budget approved for the Department of Transportation includes a reduction in budget authority amounting to $4,802,000,000 or 17.9 percent.

Printing Contracts

Question: We are aware that the Public Printer, at the Government Printing Office, has certain initiatives to encourage Federal agencies to take maximum advantage of GPO commercial procurement contracts. Also, the new GPO electronic publishing procurements are now saving very substantial tax dollars. We would like to know what plans you may have to increase your reliance on GPO commercial procurements for both printing and electronic publishing?

Answer: All Agency printing requests must be submitted to the Departmental staff who make the decision as to what services will be used for the individual request. The Agency does not publish any documents that could take advantage of electronic publishing services.

WITNESSES

	Page
Adelman, K.L	891
Alvarez, F.W	269
Amoroso, William	891
Arnold, Rick	157
Baur, D.C	543
Berry, Phyllis	269
Brunsdale, Anne	157
Buell, W.A	495
Burns, Deborah	849
Calvani, Terry	349
Campbell, Dr. W.G	951
D'Amato, Hon. Alfonse	849
Eckes, A.E	157
Evans, W.E	543
Falls, Hugh	495
Fishel, Andy	269
Foosaner, Bob	985
Forbes, M.S., Jr	495
Fowler, M.S	985
Giacomini, J.P	1
Gibney, Frank	951
Hafner, M.S	849
Halprin, Bert	985
Hathaway, Michael	849
Hofman, R.J	543
Hoyer, Hon. Steny	849
Johnson, Bill	985
Lodwick, Seeley	157
Manginelli, Angelo	495
Marchetti, M.R	495
Minkel, Edward	985
Montgomery, W.J	891
Pell, E.E	495
Rohr, D.B	157
Schreiber, Joseph	951
Seal, John	269
Sloan, Lindley	951
Stern, Paula	157
Thomas, Clarence	269
Troy, Jim	269
Twiss, J.R., Jr	543
Wattenberg, B.J	495
Williams, J.A	349
Yeutter, Ambassador Clayton	1
Zirkle, Fred	349

○